

Supporting study for the Fitness Check on the construction sector: EU internal market and energy efficiency legislation

Executive Summary

Volume 1
Main Report

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Annexes

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Milieu and CEPS,
with contributions from
BPIE and DBRI

October 2016

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1 INTRODUCTION

This report presents the results of the '*Supporting Study for the Fitness Check on the Construction Sector in the policy areas of Internal Market and Energy Efficiency*', carried out for the European Commission - Directorate General for Internal Market, Industry, Entrepreneurship and SMEs.

Objective of the Study. The Study aimed to assess the *costs and benefits as well as the coherence of the EU legislation impacting on the construction sector*. The results will feed into the Fitness Check for the Construction Sector, expected to be published in Spring 2017. The Fitness Check aims at examining how various EU legal acts impact on the construction sector, and at identifying possible areas of improvement, including reduction of regulatory costs and burdens and a better alignment of provisions, if applicable. The analysis included evaluating the efficiency, coherence, effectiveness, relevance and EU added value of most relevant provisions of EU legislation, with respect to the objective for a more competitive and sustainable construction sector, in particular for small and medium enterprises. A particular attention was paid therein to identify any synergy or inefficiency arising from these acts.

Scope of the Study. The Study reviews the EU legislation concerning two policy areas, *Internal Market and Energy Efficiency*, with focus on the most relevant texts that have a significant impact on the construction sector competitiveness and sustainability. The Study adopts a retrospective view, covering the effects of EU legislation over the *2004 – 2014 period*. The analysis covered *nine pieces of current legislation as well as their predecessors in force during the relevant period*, namely:

- The Construction Products Regulation¹ and its predecessor Construction Products Directive²;
- The Professional Qualifications Directive³;
- The Services Directive⁴;
- The Late Payments Directive⁵ and its predecessor Directive 2000/35/EC⁶;
- The Energy Efficiency Directive,⁷ and its predecessor Directive 2006/32/EC⁸;
- The Energy Performance of Buildings Directive⁹ and its predecessor Directive 2002/91/EC¹⁰;
- The Ecodesign Directive¹¹;
- The Energy Labelling Directive¹² and
- The Renewable Energy Sources Directive¹³.

¹ Regulation No 305/2011 of the European Parliament and the Council laying down harmonized conditions for the marketing of construction products.

² Council Directive 89/106/EEC on the approximation of laws, regulations and administrative provisions of the MS relating to construction products.

³ Directive 2005/36/EC of the European Parliament and the Council on the recognition of professional qualifications

⁴ Directive 2006/123/EC of the European Parliament and the Council on services in the Internal Market.

⁵ Directive 2011/7/EU of the European Parliament and the Council on combating late payment in commercial transactions.

⁶ Directive 2000/35/EC of the European Parliament and the Council on combating late payment in commercial transactions.

⁷ Directive 2012/27/EU of the European Parliament and the Council on energy efficiency.

⁸ Directive 2006/32/EC of the European Parliament and the Council on energy end-use efficiency and energy services.

⁹ Directive 2010/31/EU of the European Parliament and the Council on the energy performance of buildings.

¹⁰ Directive 2002/91/EC of the European Parliament and the Council on the energy performance of buildings.

¹¹ Directive 2009/125/EC of the European Parliament and the Council establishing a framework for the setting of ecodesign requirements for energy-using products.

¹² Directive 2010/30/EU of the European Parliament and the Council on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products.

¹³ Directive 2009/28/EC of the European Parliament and the Council on the promotion of the use of energy from renewable.

The Study focuses primarily on **the 'core' construction sector**, i.e. the *construction and renovation of buildings and specialized construction activities* (NACE Divisions 41 and 43, with exclusion of infrastructure works). In order to provide a comprehensive picture of the effects of EU legislation, the Study also covers the other sectors in the construction value chain, i.e. the *manufacture of construction products* (encompassed under NACE Sections B and C), *construction-related professional services*, e.g. architects, engineers, or energy auditors (NACE Group M71), and *real estate* (NACE Section L). For these other sectors, the coverage across the various part of this Study is variable, depending on the relevance of the different regulatory effects on the different links of the value chain.

The sector focus is a distinctive feature of the Study, differentiating it from other Fitness Check-related exercises, which typically take a look at all impacts of EU legislation (e.g. including social and/or environmental effects), whoever is concerned and whenever they are or will be impacted. The approach of this Study concentrates on one single industry sector, representing 18 million direct jobs and contributing to about 9% of the EU's GDP. This allows for *a detailed analysis of regulatory impacts*, for instance with an assessment of the effects on operators active at different stages of the value chain; and for *a comprehensive assessment of the coherence* of various legislative provisions, i.e. whether any synergy or shortcoming identified generates positive or negative impacts on market operators. Yet, it has to be noted that such sectoral approach overlooks the impacts on industries other than construction and the society at large, be they at the core of EU legislation as in the case of environment or social protection.

Operational Aspects.

The Study consists of two components, namely:

- an *economic analysis*, concerned with the identification and, whenever feasible, the quantification of the costs and benefits of EU legislation;
- a *legal analysis*, aimed at assessing the coherence of EU legislation, with the identification of shortcomings, overlaps, gaps, and obsolete measures.

Fact finding work involved the review of a variety of documentary sources as well as primary data collection from firms, stakeholders, and public authorities. *Documentary sources* included available relevant Commission documents (such as evaluation studies, impact assessments, reports on the transposition of various directives, reports on public consultations); policy and operational documents issued by industry associations and government authorities (such as position papers, replies to public consultations, annual reports); legal reviews, economic studies and technical documents on selected aspects of the various pieces of legislation analysed (such as studies on the market for building renovations); and various statistics on the construction and related sectors. As for primary data collection, *132 interviews* were carried out, of which 10 with national public authorities, 13 with EU industry associations, 28 with national stakeholder associations, and 81 with economic operators (construction firms, providers of specialised construction services, professionals, and manufacturers of construction products). *Fact finding work focused on ten Member States*, namely: Belgium, Denmark, France, Germany, Ireland, Italy, Poland, Romania, Spain, and the United Kingdom, that account for about 80% of the total turnover in the European construction sector.

In the context of the Study, an *Open Public Consultation was also carried out*. It was launched on 29 March 2016 and, in line with relevant Commission guidelines, remained opened for 12 weeks, until 20 June 2016. Contributions were submitted by 55 entities, including 37 economic operators/industry associations, 13 government authorities, and 5 citizens. Contributions were submitted by entities located in 20 countries, namely 18 Member States and two other European countries. Findings of the Open Public Consultation were duly included in the analysis. Finally, to address specific research needs, two other surveys were set up: (i) an online questionnaire with associations and other stakeholders active in the construction product industry, covering 33 stakeholders in 10 Member States and Norway; and (ii) an email survey of architects' professional bodies, to which 10 EU bodies replied.

Stakeholder Involvement. Representatives of *leading industry associations at the EU level and MS representatives* were invited to contribute to the Study through the participation in a dedicated *Mirror Group*. The Mirror Group held four meetings, during which the scope, methodology and results of the Study were presented and extensively discussed. Mirror Group members were also instrumental to reach out to national associations and firms. The preliminary results were presented at a *Validation Workshop* intended to test the Study conclusions. Held on 26 May 2016, the Validation Workshop was attended by over 40 representatives of national authorities and industry associations active at the EU or national level. The comments formulated during the workshop and the written contributions subsequently provided were duly taken into consideration when finalising this report.

2 ECONOMIC ANALYSIS: COSTS AND BENEFITS OF EU LEGISLATION

The economic analysis aimed at assessing the impacts, i.e. the *costs and benefits* of EU legislation. In line with the sector focus of the Study, the impacts were assessed from the perspective of operators in the construction value chain.

The impacts analysed fall into three main categories, namely:

1. *administrative costs and savings*, which refer to the resources (staff time, out-of-pocket expenses) used to fulfil the administrative obligations provided for by the selected EU acts;
2. *compliance costs and savings*, which relate to the resources devoted to the fulfilment of substantive obligations spelled out in the selected EU acts; and
3. *new market opportunities*, which relate to the business opportunities created or facilitated by the regulation.

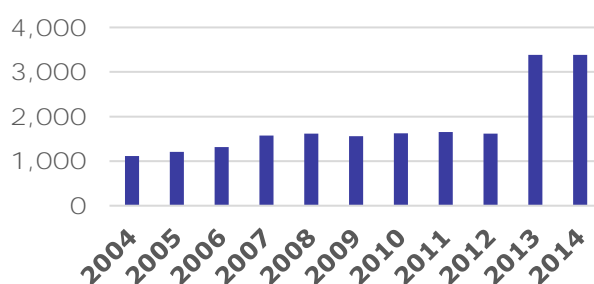
2.1 Construction Product Legislation

The *Construction Product Regulation* and its predecessor the *Construction Products Directive* define rules for the measurement and declaration of the performances of construction products with regard to basic works requirements. It sets the general objectives for manufacturers, while the detailed specifications for products are set through the standardisation or secondary legislation. *The regulatory burden placed by this piece of legislation on construction products manufacturers is estimated in the order of € 3.4 billion, i.e. 1.1%*

of total turnover in 2014. Such regulatory burdens are mainly linked the obligation to supply information to clients, which was extended by the Construction Product Regulation with the introduction of the Declaration of Performance, and made mandatory the affixing of the CE marking on products in all Member States. At the same time, the Construction Product Regulation also introduced the possibility of supplying the Declaration of Performance in an electronic format, which allowed containing the cost increase (with up to a 50% saving compared with the paper-based version) and is used by the vast majority of operators interviewed.

The Construction Product Regulation introduced *a series of simplifications*, aimed at reducing administrative burdens for small and medium enterprises. The simplification concerning product testing under article 36 is effectively used in certain sub-sectors (windows), allowing small scale producers to achieve significant cost savings. In contrast, other *derogations* (e.g. exemptions for certain categories of products under art. 5) have been scarcely used and, therefore, those different simplification measures *seem not to have generated tangible benefits* for the industry so far.

EU Regulatory Burdens on Construction Products Manufacturers (€ Million)



Source: Authors' elaboration on Interviews and Eurostat

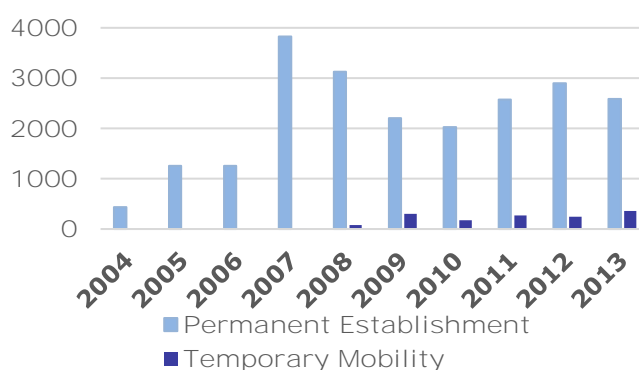
The Construction Product Regulation also introduced new provisions regarding issues related to the *sustainable use of natural resources*. While these provisions can potentially play an important role in enhancing sustainability in the construction sector, their inclusion in relevant harmonised standards is *still in the making*.

Finally, regarding the *benefits linked to improved circulation of goods* in the Single Market, for most construction products the cross-border flows remain low and *only a few product categories or high-value niche products benefit* from the harmonized framework provided by this Regulation.

2.2 Cross-Border Mobility of Professionals and Craftsmen

The *Professional Qualifications Directive* aims at facilitating the mobility of professionals and craftsmen by ensuring that they can exercise the freedom of establishment and the freedom to provide services in another MS on a temporary basis. *The mechanisms established by the Directive appear to work well in the sector*. While there are some differences between the automatic recognition system and the general system, the professionals and craftsmen interviewed and their associations generally hold a favourable view of these mechanisms. Accordingly, *administrative costs incurred to obtain recognition in another country are negligible*.

Professionals and Craftsmen Moving Cross-Border in the Construction Sector



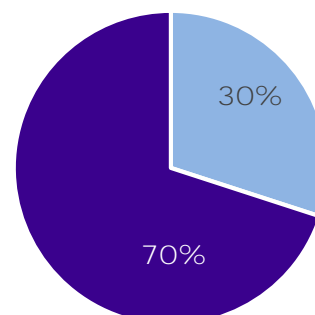
Source: Regulated Profession Database

However, *few professionals and craftsmen have taken advantage of the mechanisms established by the Professional Qualification Directive*. Data from the Commission-managed database on Regulated Professions shows that, in the most recent period, only about 2,000 construction professionals and craftsmen permanently resettled in another EU country every year, and just a few hundred made use of the temporary mobility provisions. Though concerns exist on the accuracy of the database, stakeholders and secondary sources confirmed the order of magnitude of these flows. Overall, as confirmed by stakeholders, *the cross border mobility of construction-related professionals and craftsmen is limited primarily by structural factors* (such as language barriers, differences in construction regulations and related procedures, acquaintance with local building customs, customer relationships). As a result, *the benefits generated by the PQD are modest*, and the value of the new business triggered by cross-border mobility accounts for a small fraction of the sectoral value added (between 0.04% for civil engineers and 0.4% for craftsmen).

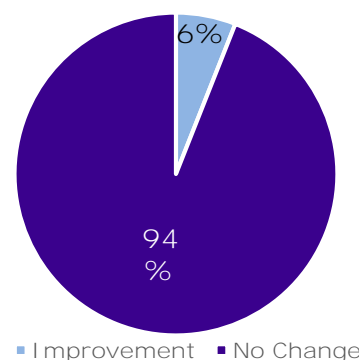
2.3 Services: Simplification of the Regulatory Framework and Facilitation of Cross-Border Operations

The *Services Directive* requires Member States to simplify the procedures that service providers, including construction firms, need to comply with when setting up a business or when providing services cross-border. The Directive has a very broad scope, and was implemented by national authorities primarily through general measures, with limited consideration of the specifics of the construction sector. In addition, in the majority of countries, the setting up of a construction firm is not subject to any authorization or licensing and this per se limits its potential. As a result, operators often have a limited perception of the effects of the Services Directive and the majority of firms interviewed did not notice an appreciable improvement in the regulatory framework for construction activities. When improvements were recorded, stakeholders tended to attribute them to national policy initiatives, only indirectly inspired by the Services Directive. Whatever the origin, the improvements mostly concerned a reduction in waiting times for approvals, the introduction of tacit approval mechanisms, the simplification of documents, and the availability of e-government solutions. While generally appreciated, these improvements did not significantly alter the costs incurred by operators, and therefore it is not possible to provide any meaningful estimate of the cost savings generated by the SD. *In conclusion, cost savings under the service directive are estimated to be limited for the sector.*

Perceived Improvements
Building Permits



General Authorisations



■ Improvement ■ No Change

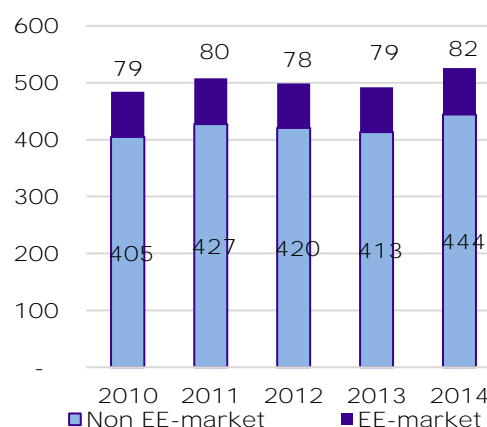
Source: Authors' elaboration on Interviews

Regarding the facilitation of cross border operations, two opposite trends emerge. On the one hand, few firms have taken advantage of the opportunities offered by the Directive, and those who did it mostly indicated that their ability to do business abroad was only marginally improved. On the other hand, many interviewees noted an increase in competition in their domestic markets, due to a growing presence of operators from other countries. This apparent contradiction is due to the different nature of the operators involved, with larger firms more inclined (and better equipped) to work abroad and smaller operators active only in the domestic market and suffering from more foreign competition. However, and most importantly, the increased competition is primarily attributable to the posting of workers from countries with lower social security contributions, which is unrelated to the SD. Finally, difficulties persist regarding cross-border liability insurance for construction companies, although some progress can be noticed. Overtime, insurance companies have developed mechanisms to try and cope with different insurance requirements in different countries (in particular, between France and Germany). Therefore, while cross-border insurance still represents a cost for market operators, there are indications that purchasing the necessary coverage is now possible in most cases.

2.4 Market Opportunities Linked to Energy Efficiency in Buildings

The *Energy Performance of Buildings Directive* requires Member States to adopt minimum energy performance requirements for both existing and newly built buildings. *The effects of these requirements ultimately fall upon the building owners and occupiers*, who must incur whatever costs may be associated with higher energy efficiency standards and who benefit from the savings resulting from lower energy consumption. However, this regulation also exerts a major influence on the construction sector, as the growing demand for energy-efficient buildings and building elements creates *new business opportunities for construction firms and related activities* (e.g. installers). This is particularly the case for the *renovation of residential buildings*, which increasingly involve insulation works and other measures aimed at improving thermal efficiency (replacement of windows, new heating systems). Indeed, over the 2010-2014 period, the turnover linked to energy efficiency-motivated renovations in the ten Member States analysed **was estimated at some € 364 billion**. In the case of new buildings, the **corresponding value is about € 35 billion**, bringing the total energy efficiency market to **€ 399 billion, i.e. about 16% of the total residential building market**.

Energy Efficiency-Related Market for Residential Buildings (€ Billion)



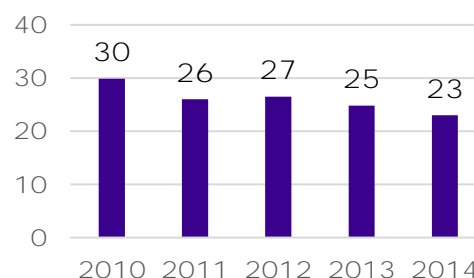
Source: *Authors' own elaboration on national sources*

The influence of EU legislation on the EE-related market varies considerably across countries. In some Member States, the Energy Performance of Buildings Directive did play a major role in fostering the adoption of more stringent energy efficiency requirements, that sometime had remained unchanged for a long period. In other countries, the progressively greater emphasis on energy efficiency in buildings is mainly the result of policy developments at the national level, with some countries being clearly on the forefront. The influence of domestic factors is generally stronger in the case of building renovations. Indeed, in virtually all countries the demand for renovation was strongly supported by a variety of government incentive schemes (such as grants, subsidized loans, preferential VAT regimes, and tax deductions), entailing substantial budgetary allocations and whose establishment sometimes pre-dates the adoption of the relevant EU legislation. In any case, the relative importance of EU legislation vis-à-vis national factors can be determined only with some degree of approximation, due to the interplay of numerous factors. Subject to this caveat, **the business opportunities generated by EU legislation can be estimated at some € 124 billion** over the 2010-2014 period, corresponding to about 5% of the total value of the residential building market. This definitely constitutes a meaningful contribution to sustain the level of activity during a difficult period for the construction industry and also had *positive effects across the whole supply chain*, with an increase in the demand for energy-related construction products and equipment and for related professional services. In addition, considering the small scale of the majority of building renovation **interventions (whose average values typically range between € 4,000 and € 10,000)**, EU legislation on energy efficiency in buildings *contributed to enhance opportunities for small and medium companies*.

2.5 Other Costs and Benefits in the Energy Efficiency Policy Area

The Energy Performance of Building Directive, already in its 2002 version, mandates the adoption of *energy performance certification for buildings* that are constructed, rented or sold. The Study considered that the EU legislation had a prominent role in the introduction of such a certification. The *administrative costs generated by the Energy Performance Certificate on construction companies are estimated as negligible in the 10 MS covered by the analysis, costs vary between €23 and €30 million per year*, a fraction of the value of production in the markets for new building. Indeed, construction companies are only affected by the duty to provide it for new buildings, and only in case they also operate as developers or sellers. Such a business model applies to a minority of EU construction companies, except for contractors in Southern Europe. The bulk of costs linked to the certificates fall on owners, tenants, and companies other than construction firms. *With respect to recommendations included in Energy Performance Certificates – which were intended to stimulate landlords or tenants to invest further into energy efficiency measures – stakeholders and Commission studies pointed out that more or more ambitious renovations have not yet been triggered.* Hence, the recommendations did not have any tangible impact on construction companies.

Burdens from Energy Performance Certificates on Construction Firms (€ Million)



Source: Authors' elaboration on BPIE

The Energy Efficiency Directive, which is in force only as from the very end of the period in scope of the analysis, also affects the public and private demand for energy efficient construction services. In particular, art. 5(1) establishes a *3% yearly renovation rate for buildings owned and occupied by the central government*. Art. 5(6) allows Member States to opt for alternative measures. Among the 10 Member States covered by the Study, only Spain and Romania implemented art. 5(1) so far, and *additional market opportunities are estimated at € 79 million per year*. With respect to the *inclusion of energy efficiency requirements in national public procurement policies, it is too early to measure any benefit*. *Obligations for energy distributors to achieve energy savings (art. 7) fostered small-scale interventions* in several countries, in particular France, Italy, and the United Kingdom. Their impact in terms of additional market opportunities are already accounted for in the estimates provided in Section 2.4 above. Finally, *with respect to accreditation, certification or qualification of certifiers, inspectors, and installers of renewable systems, an estimate of costs could not be provided*, as the schemes show a wide variation across countries.

2.6 Late Payments

The *Late Payments Directive* aims at reducing payment delays and at mitigating their negative effects. Payment delays have a negative impact on liquidity, contributing to reduce the competitiveness of enterprises. The problem is particularly severe in the construction industry, where payment times are traditionally longer than in other sectors, and where firms, especially small, are often undercapitalized and therefore less able to withstand 'liquidity shocks'.

Trends in Payment Times and Financial Savings (2010-2014)

	Average Payment Time (days)		Variation 2010-14 (days)	Cost Savings (2014, €mln)
	2010	2014		
BE	82	65	-17	12.0
FR	87	66	-21	22.5
DE	41	45	4	-2.7
IT	127	102	-25	83.0
ES	174	87	-87	15.6
UK	33	55	22	-11.7
Total				118.7

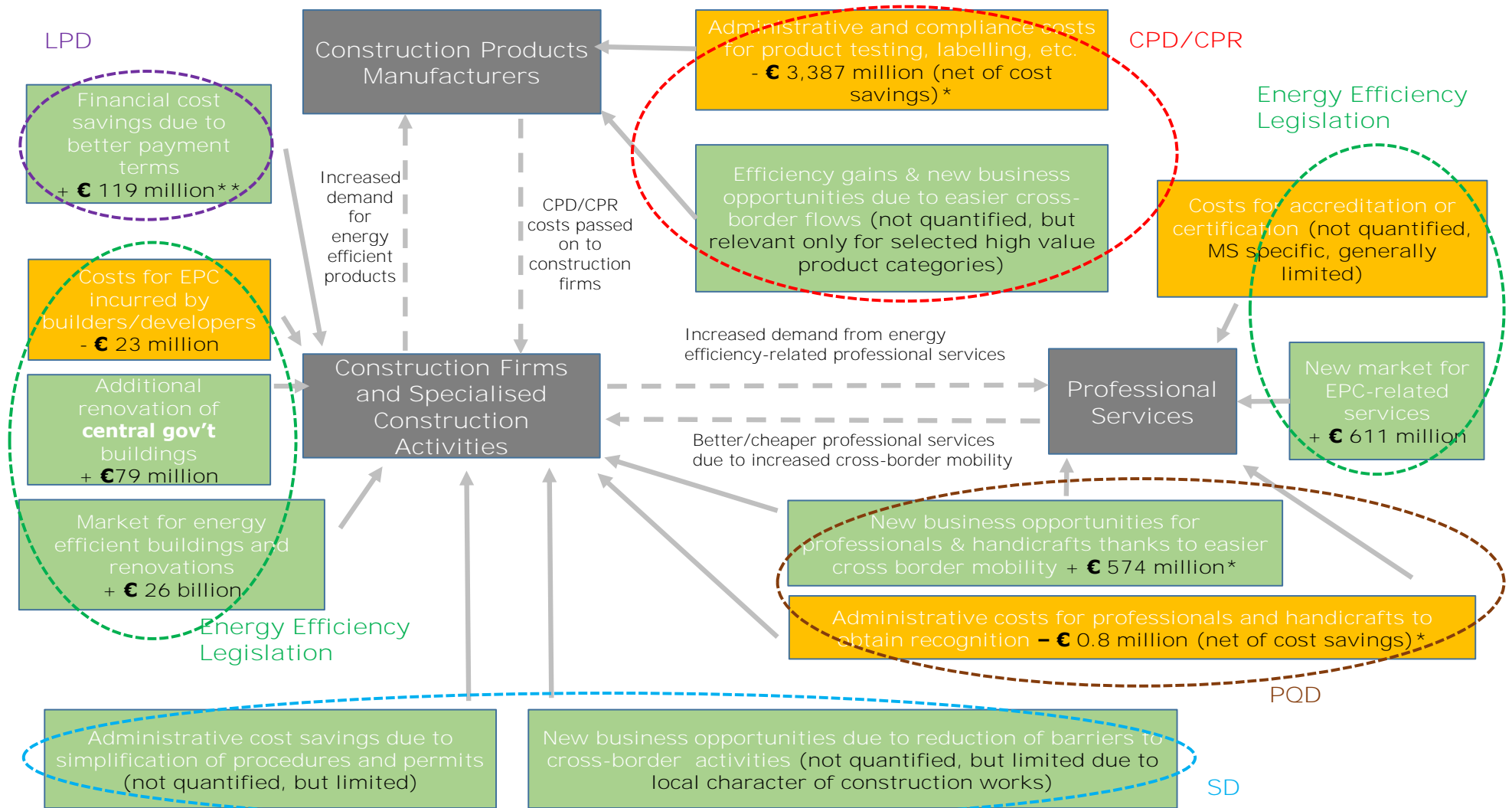
Source: Authors' elaboration on Euler Hermes and Eurostat

Precise data on payment times are difficult to obtain, and there are often discrepancies among the various sources. However, available evidence suggests that, *over the 2010 – 2014 period, there was a shortening in payment times in four out of the six countries for which data is available*. The influence of the EU legislation on these developments is difficult to ascertain, given its recent adoption. Even more importantly, trends in payment times are influenced by concomitant factors, sometimes moving in opposite directions, ranging from general economic conditions to regulatory developments at national level. Subject to this major caveat, *EU legislation seems to have played a positive role, although with significant differences across countries*. For instance, in Spain the shortening in payment times started well before the adoption of the Directive. Instead, in Italy the decline in payment times is much more recent and EU legislation appears to have substantially contributed to the improvement. Overall, *the financial cost savings associated with the Late Payments Directive for the EU construction sector **can be estimated at about € 119 million for 2014***.

2.7 Overview of Economic Impacts

An overview of the costs and benefits generated by the EU legislation is provided in the Exhibit overleaf, giving an indication of the values at stake and of the influence exerted by the selected pieces of legislation on the various stages of the value chain in 2014.

Summary of Economic Impacts



Notes: in green, positive impacts (new market opportunities; cost savings); in orange, negative impacts (costs); in grey: typology of economic operators. Solid arrows refer to direct impacts while dotted arrows show indirect effects. Impact figures refer to the 10 MS analysed in detail, except for those with * which refer to EU28 and those with **, which refer to BE, DE, ES, FR, IT, UK

3 LEGAL ANALYSIS: COHERENCE OF LEGAL INSTRUMENTS

The analysis of the legal instruments applicable to the construction sector aims to assess the extent to which the selected EU acts are mutually supportive, or whether, conversely, any legal shortcomings (i.e. inconsistencies, overlaps, gaps) could be identified. The analysis of coherence focused on three main aspects, namely: (i) the *consistency among the objectives pursued* by the various pieces of legislation in so far they impact on the competitiveness and sustainability of the construction sector; (ii) the *coherence of the scope and definitions*; and (iii) the *coherence of substantive requirements* imposed upon construction sector operators. While the analysis obviously focuses on EU legislation, whenever relevant the interaction with national legislation was also considered.

Operationally, the analysis considered the nine legal instruments in three groups addressing similar themes. The first group deals with legislation establishing *requirements for construction products*, either as product requirements or as labelling requirements, namely the Construction Products Regulation, the Ecodesign Directive, and the Energy Labelling Directive. The second group encompasses the *energy efficiency legislation* applicable to the construction sector, which includes the Energy Efficiency Directive, the Energy Performance of Buildings Directive and the Renewable Energy Sources Directive. The third group consists of the legal instruments regulating the *provision of services in the construction sector*, namely the Services Directive, the Professional Qualifications Directive, and the Late Payments Directive. Additionally, the analysis also considered the coherence between acts belonging to different groups.

3.1 Coherence of Instruments Establishing Product or Labelling Requirements

Consistency of Objectives. The Construction Products Regulation on one side, and the Ecodesign and the Energy Labelling Directives on the other pursue *distinct but complementary objectives*. The former lays down conditions for placing construction products on the EU market, and now also includes consideration on sustainability issues. The latter are primarily concerned with the reduction of the environmental impact cause by the use of energy-related products (including certain construction products), but, in addition, also aim at eliminating barriers in the EU internal market for these products.

Coherence of the Scope and Definitions Used. Several construction products, covered by the Construction Products Regulation can be classified as energy-related products under the Ecodesign framework. Currently, this is the case for five product categories, and one of them is subject to both a harmonised standard and an Ecodesign implementing regulation (solid fuel local space heaters).

Coherence of Substantive Requirements. There is a risk of inconsistency between the *substantive requirements established in the harmonised standards and the Ecodesign secondary regulation*, as the product characteristics or testing requirements may be different. So far, this has materialised only for solid fuel local space heaters, and may do so if and when the Ecodesign framework is extended to other construction products. The impact of this overlap would be limited for the whole sector, though significant for manufacturers of covered products. The impact may grow if and when more products fall under both the Construction Product Regulation and the Ecodesign frameworks.

3.2 Coherence of Energy-Efficiency Instruments

Consistency of Objectives. The Energy Efficiency Directive, Energy Performance in Buildings Directive, and Renewable Energy Sources Directive were all enacted in the context of the commitment for the EU to become a highly energy-efficient and low carbon economy, namely **through the setting of the so called '20-20-20 targets'**. As buildings account for some 40% of total energy consumption (as well as for 35% of CO₂ emissions), the three Directives aim, to a

varying degree, at tapping the considerable energy saving potential in the building sector. Therefore, *the objectives of these three directives are compatible and coherent.*

Coherence of the Scope and Definitions Used. *There are some inconsistencies in the definitions used in the three Directives, but their practical impact appears to be minimal.* In particular, the three Directives include provisions applying to buildings, but only the Energy Performance in Buildings Directive provides some definitions of the related terms, and these definitions are not always cross referenced and/or used consistently. As for the term **'major renovation' is defined in Article 2(10) of the EPBD and cross-referenced in the EED**, but it is not used consistently throughout the three directives and it is often employed in conjunction **with other terms, such as 'comprehensive renovation' and 'retrofit', for which no definition is provided.** While a greater consistency would be certainly desirable from a strictly legal point of view, notably neither the secondary sources reviewed nor the stakeholders consulted have highlighted situations in which definitional issues have resulted in any tangible consequence for construction sector operators. Importantly, the assessment regarding the desirability of certain definitions may depend upon the perspective adopted, *with stakeholders representing different interests sometimes displaying divergent views.* In particular, the adoption of single EU-wide definitions common to all directives **for 'deep renovation' and 'staged deep renovation' is generally supported by producers of energy efficient products and systems. However, stakeholders in the 'core' construction sector** have some reservations, as they fear that a common definition would contrast with the widely different conditions prevailing across EU countries. This negative view was adamantly expressed inter alia by the largest EU construction industry organization during the validation process. Conciliating these diverging interests is far from being an easy task, as producers of energy efficient products and systems mostly have cross-border activities across the Single Market, and would then benefit from further harmonisation of definitions and requirements. To the contrary, construction operators mostly work in local markets only and have no interest and very limited expected benefits from the adoption of a more coherent legal framework across the EU, hence supporting keeping local norms, to which they are well acquainted.

Coherence of Substantive Requirements. Concerning substantive requirements, two instances of overlapping provisions have been identified, regarding:

1. Regarding the *certification of buildings or building systems* four different schemes are set up between, namely: (i) the energy performance certification of buildings; (ii) the inspection of heating systems; (iii) the inspection of air-conditioning systems; and (iv) the energy audit of large companies, which also encompasses their buildings. The coexistence of these various schemes may give rise to some inconsistencies, also due to the interaction with national legislations. *As the obligations regarding the certification of buildings and building systems typically fall on the owners, the above considerations have limited relevance for construction firms, whereas the lack of **coordination among the various schemes may 'artificially' increase the revenues of the professionals*** involved in certification activities.
2. Concerning the *accreditation/qualification and training of experts*, the three Directives all create legal obligations for Member States to ensure that the experts, inspectors, energy auditors and installers have the necessary accreditations/qualifications and training. *The opportunity of coordinating the accreditation/qualification and training schemes for energy professionals across these Directives, in order to reduce burdens on market operators, is currently underexploited.* Noteworthy, these aspects remain a competence of Member States, sometimes at regional level, leading to diverging approaches. The lack of a better coordination may result in entry costs, and thus barriers, in the various markets for professionals.

3.3 Coherence of Instruments Dealing with the Internal Market for Services

Consistency of Objectives. The Services Directive and the Professional Qualifications Directive aim at making the free provision of services and of establishment in the EU as simple as within an individual Member State. While the latter covers the recognition of professional qualifications, use of titles and knowledge of languages as well as any other requirements under national legislation restricting access to a profession, the former deals with other requirements, such as tariffs, legal form requirements or ownership requirements, among others. *The objectives of these Directives are fully complementary and coherent.*

Coherence of the Scope and Definitions Used. The analysis did *not reveal any material issue regarding the scope of the two instruments*. The Services Directive covers a large variety of sectors ranging from traditional activities to knowledge-based services, including services in and for the construction sector. The two Directives are considered to complement each other whilst covering different aspects of the free movement of professionals. *Consistency in definitions is ensured* through a specific cross-reference in the definition of ‘regulated professions’.

Coherence of Substantive Requirements. All in all, *no major overlaps* have been identified between the Services Directive and the Professional Qualification Directive. The review of the latter, in 2013, took into account some areas where coherence could still be improved (e.g. with regard to the exchange of information and the introduction of a point of single contact), resulting in *consistent substantive requirements at EU level*. However, *the implementation of the Services Directive for the construction sector at national and local level is far from being perfect* and this affects the implementation on the ground of its substantive requirements. In particular, (i) it was mostly implemented by means of horizontal regulation, without any specific provisions relating to the construction sector; (ii) it was mostly implemented through principle regulations, hence not affecting how administrative procedures are applied, especially at local level; and (iii) in many cases, local entities lacked the expertise, skills and manpower to properly implement it. Accordingly, the various studies and reports by the Commission, as well as the empirical findings of this Study, identified a set of persisting regulatory barriers to the activity of construction companies.

3.4 Coherence of instruments pertaining to different groups

Product requirements and energy efficiency. The Energy Efficiency Directive, the Energy Performance of Buildings Directive, the Ecodesign Directive and the Energy Labelling Directive have complementary objectives which are well aligned with each other and which do not overlap, given that the directives focus on energy efficiency at different levels in the building chain. Their **synergies could be strengthened by streamlining the concepts of ‘system’, ‘product’ and ‘component’ and by focusing on overall system efficiency instead of single-minded measures**. Further fragmentation can be avoided by requiring that the outputs under the Ecodesign and Energy Labelling frameworks are directly compatible with the inputs under the Energy Performance of Buildings Directive.

Energy Performance of Buildings Directive and Construction Product Regulation. A link exists between these two acts, as the latter establishes harmonised rules for the marketing of construction products, hereby allowing the comparison of the energy-related performance of products from different manufacturers. As the Energy Performance of Buildings Directive takes a system approach while the Construction Product Regulation acts at product level, it is generally acknowledged that both directives do not overlap. Nevertheless, the adoption of a new standard on sustainability or energy economy under the Construction Product Regulation, could contribute to achieving the objectives of the Energy Performance of Buildings Directive. Many stakeholders moreover clearly express a preference for regulating the issue of sustainable construction products through the construction product legal framework.

Accreditation of professionals and Professional Qualifications and Services Directive. The provisions on accreditation/certification of energy efficiency professionals in the energy efficiency policy areas should apply without prejudice to the requirements of the Professional Qualifications and Services Directives. Even though the Directives on energy efficiency consistently urge Member States to take the Professional Qualifications Directives into account, the differences in certification and qualification criteria persist and cross-border mutual recognition therefore remains slow to emerge. This is considered problematic, as Internal Market Directives apply without prejudice to the specific certification requirements set out in the Energy Efficiency Directives, in particular as this applicability should result in some cases in automatic recognition

3.5 Impact of Legal Shortcomings

In the exhibit below, the impact of legal shortcomings is assessed on a qualitative scale. Broadly speaking, legal shortcomings do not currently affect the performance of the sector to a significant extent. However, with respect to the overlap of the Construction Products Regulation and the Ecodesign Directive, and the implementation of the Services Directive for domestic operators, the potential impacts – both in terms of costs and benefits – may be larger in the future.

Impacts of Legal Shortcomings

Issue	Impact
<i>Inconsistencies in definitions, cross-references</i>	<ul style="list-style-type: none"> • <i>Negligible</i>
<i>Overlap of the Construction Products Regulation and the Ecodesign Directive</i>	<ul style="list-style-type: none"> • <i>Limited costs for the whole sector, but increasing if and when the scope of Ecodesign is extended to other construction products</i> • <i>High costs for manufacturers of specific products covered by both harmonised standards and the Ecodesign</i>
<i>Overlap of schemes for the assessment of buildings / building systems</i>	<ul style="list-style-type: none"> • <i>Limited costs of familiarisation for providers of professional services, but more problematic: (i) for independents and small companies; or (ii) in Member States where third-party certification is mandatory</i> • <i>Moderate additional revenues for providers of professional services</i> • <i>Negligible costs for construction companies</i>
<i>Accreditation and training of experts</i>	<ul style="list-style-type: none"> • <i>Opportunities for exploiting moderate synergies across different professions</i> • <i>Potential to allow for automatic recognition for cross-border services</i>
<i>Insufficient implementation of the Services Directive provisions</i>	<ul style="list-style-type: none"> • <i>Limited costs and high potential from simplifications for domestic construction companies (via better/targeted/detailed implementation, raising awareness at local level and across market operators)</i> • <i>Limited costs and limited potential largely limited to domestic impacts in relation to simplifications for cross-border construction companies</i>

4 SUMMARY OF THE EX POST EVALUATION

The exhibit below shows the summary table of the ex post evaluation exercise. The assessment under each evaluation criterion is provided separately for the two policy areas over a three-ladder scale – High, Medium, and Low – together with a synthesis assessment.

Ex Post Evaluation: Summary Table

Evaluation Criterion	Internal Market	Energy Efficiency
<i>Relevance</i>	Medium	<i>High</i>
<i>Coherence</i>	Medium	Medium
<i>Effectiveness</i>	Low	Medium
<i>Efficiency</i>	Medium	<i>High</i>
<i>EU Added Value</i>	Medium	Medium

Relevance. The relevance of Internal Market legislation for the construction sector is considered as medium, with barriers other than regulatory hampering the integration of the EU construction market and reducing the potential benefits generated by the Construction Products Regulation, the Professionals Qualification Directive, and the Services Directive. *The relevance of the Energy Efficiency legislation can be rated as high, especially thanks to the Energy Efficiency Directive and the Energy Performance of Buildings Directive pursuing objectives better meeting the challenges and needs of the EU construction sector.*

Coherence. The coherence is assessed as medium for both the Internal Market and Energy Efficiency policy areas. With respect to the former, the Services Directive and the Professional Qualification Directive aim at removing existing barriers to the free movement of construction service providers and strengthening the mobility of professionals in the EU through different measures. These objectives are considered as complementary and coherent. However, a number of instances of inadequate implementation of the Services Directive hampering the mobility of construction companies were identified by the current analysis and in the relevant Commission Staff Working Document. As for the Construction Products Regulation, some of its provisions remain in practice not applied because of their limited legal clarity. Furthermore, a potentially significant overlap exists between the Construction Products Regulation and Ecodesign Directive: though it is currently limited to only one product category, manufacturers risk bearing duplicated costs whenever the same product is covered by both a harmonised standard and an Ecodesign secondary regulation. With respect to the Energy Efficiency policy area, great synergies were observed among the aims pursued by the acts in scope of the analysis. Overlaps, however, exist among the Energy Efficiency Directive, the Energy Performance of Buildings Directive and the Renewable Energy Sources Directive with regard to the relationship among the certifications, inspections and energy audits of buildings and building systems, and their related certification/qualification schemes and training programmes for professionals.

Effectiveness. Once the impacts of the economic and financial crisis are accounted for, assessing the effectiveness of the acts in the policy areas of Internal Market and Energy Efficiency on the competitiveness of the construction sector is far from easy. In addition to that, though the Study has a sectoral dimension, not all the acts in scope of the analysis necessarily target the construction sector. On the one hand, the measures under the Energy Efficiency policy area did benefit construction companies and other nexuses of the value chain, with national interventions and support programmes playing a major role. As for the Internal Market policy area, having only limited impacts, it is assessed as being little effective. Here, a distinction must be made between the Construction Products Regulation, partially achieving its aims; the Professionals Qualification Directive, working well, but resulting only in a limited number of professionals and craftsmen working abroad; and the Services Directive, being almost ineffective for the construction sector. In terms of sustainability, the Energy Efficiency policy area contribute to the reduction of the energy consumption in buildings, while the Internal Market policy area has not yet had an important role in this respect.

Efficiency. With regard to efficiency, the only significant categories of costs identified in the Internal Market policy area were generated by the Construction Products Regulation, affecting product manufacturers, while the costs generated for contractors and professionals under other acts are negligible. Once again, this points to the fact that national and sometimes local frameworks are far more important for construction operators. As costs, benefits in this policy area were also limited. The most important advantages are the new business opportunities created by the Professionals Qualification Directive and the financial cost savings generated by the Late Payments Directive, both only accounting, however, for a fraction of the sectoral added value. As a result, the efficiency of this policy area is considered as medium. Differently, the Energy Efficiency policy area had a far greater impact, creating business opportunities in the **related markets worth about €26 billion per year**, that is 7.8% of the sectoral added value. Professionals benefited from the significant business opportunities accrued from the energy performance certificate. In light of the above, *the Energy Efficiency policy area is considered as highly efficient for the construction sector.*

EU added value. The added value of EU actions in the Internal Market policy area is rated as medium. By their very nature, the objectives of the Construction Products Regulation, the Services Directive, and the Professionals Qualification Directive could only be achieved with EU measures. As for the Late Payments Directive, it played an important role in promoting a pan-European culture for timely payments. Turning to the Energy Efficiency policy area, the Energy Performance of Buildings Directive and the Energy Efficiency Directive contributed to creating an energy efficiency market for both new buildings and renovations, with added value delivered at all links of the construction value chain. National legislation, however, continued to play a very important, and sometimes predominant, part. Therefore, the EU added value of the Energy Efficiency legislation for the construction sector can be assessed as medium too.





Supporting study for the Fitness Check on the construction sector: EU internal market and energy efficiency legislation

Volume 1
Main Report

Written by Economisti Associati,
Milieu and CEPS,
with contributions from
BPIE and DBRI
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Supporting study for the Fitness Check on the construction sector: EU internal market and energy efficiency legislation

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MAIN ABBREVIATIONS AND ACRONYMS

AVCP	Assessment and Verification of Constancy of Performance
BAU	Business-As-Usual
B2B	Business to Business
CA	Concerted Action
CCA	Compliance Cost Assessment
CE	European Conformity
CEN	European Committee for Standardisation
CPD	Construction Product Directive
CPR	Construction Product Regulation
DOP	Declaration of Performance
EDD	Ecodesign Directive
eDOP	Electronic Declaration of Performance
EE	Energy Efficiency
EED	Energy Efficiency Directive
ELD	Energy Labelling Directive
EPBD	Energy Performance of Buildings Directive
EPC	Energy Performance Certificates
EQ	Evaluation Questions
ETA	European Technical Assessment
EU	European Union
FPC	Factory Production Control
FTE	Full Time Equivalent
GPP	Green Public Procurement
hEN	Harmonised Standard
IA	Impact Assessment
ITT	Initial Type Testing
LPD	Late Payments Directive
MEPR	Minimum Energy Performance Requirement
MS	Member States
NACE	Statistical classification of economic activities in the European Community
NEEAP	National Energy Efficiency Action Plan
NZEB	Nearly Zero Energy Building
OPC	Open Public Consultation
PA2B	Public Administration to Business
PCPC	Product Contact Points for Construction
PQD	Professional Qualification Directive
RES	Renewable Energy Sources
RESD	Renewable Energy Sources Directive
RPD	Regulated Profession Database
SBS	Structural Business Statistics
SCM	Standard Cost Model
SD	Services Directive
SME	Small and Medium-sized Enterprises
TFEU	Treaty on the Functioning of the European Union

1 INTRODUCTION

This Report is the final deliverable under the Contract No. SI2.705693 for a 'Supporting Study for the Fitness Check on the Construction Industry in the policy areas of Internal Market and Energy Efficiency' (the 'Study'). The Report is submitted to the European Commission - Directorate General for Internal Market, Industry, Entrepreneurship and SME (the 'Client') by a grouping of consulting firms and research institutes led by Economisti Associati and comprising the Centre for European Policy Studies (CEPS), Milieu Ltd, the Building Performance Institute Europe (BPIE), and the Danish Building Research Institute (DBRI) - Aalborg University (collectively referred to as the 'Consultants').

1.1 Nature of the Study

Purpose and Objectives. The Study is intended to support the *REFIT Sectoral Fitness Check of the Construction Sector* undertaken by the Commission and expected to be published in Spring 2017. The Sectoral Fitness Check aims at examining how various EU legal acts impact on the construction sector, and at identifying possible areas of improvement, including reduction of regulatory costs and burdens and a better alignment of provisions, if applicable. The analysis included evaluating the efficiency, coherence, effectiveness, relevance and EU added value of most relevant provisions of EU legislation, with respect to the objectives for a more competitive and sustainable construction sector, in particular for SME. A particular attention will be paid therein to identify any synergy or inefficiency arising from these acts.¹

In this context, this Study pursues two *objectives*: (i) assessing the impacts (in terms of both costs and benefits) that a number of pieces of EU legislation in two policy areas have on the construction sector, from both an economic and legal perspective; (ii) carrying out an ex-post evaluation of the efficiency, the coherence, the effectiveness, the relevance and the EU added value of selected EU legislative texts with respect to the achievement of the objectives for a more competitive and sustainable construction sector. The analysis consists of a *retrospective assessment*.

Policy coverage. The Study reviews the EU legislation concerning two policy areas, *Internal Market and Energy Efficiency*, focusing on the most relevant texts which have a significant **impact on the construction sector's competitiveness and sustainability**.² Based on the progressive refinement of a list of possibly relevant acts, the Study focuses on *nine pieces of legislation* currently in force as well as their predecessors in effect during the *2004 – 2014 period*. These pieces of legislation were selected through a three-step process. First, a long list of more than 40 acts in the areas of Internal Market and Energy Efficiency was identified based on a preliminary desk research. From the long list, an intermediate list of 19 acts potentially relevant for the study, because of their impact on the competitiveness and sustainability of the construction sector, was presented at the Kick-Off meeting and discussed with the Services. A short list of legal acts was then identified based on four eligibility criteria and three substantive criteria; it was finalised in agreement with the Directorate General for Internal Market, Industry, Entrepreneurship and SME and the Steering Group, and then validated at the first Meeting of the Mirror Group with stakeholder associations and national governments.³ The legal acts **included in the short list, hereinafter cumulatively referred to as the 'Retained Acts', are as follows:**

¹ Cf. European Commission, Roadmap for the REFIT Sectoral Fitness Check of the construction sector, **25.04.2016, hereinafter 'Roadmap for the Sectoral Fitness Check'**.

² A parallel study is currently being completed by another Consultant on the policy areas of health and safety and environmental legislation.

³ More information on the selection of legal acts is included in Annex I.

- The Construction Products Regulation (CPR)⁴ and its predecessor Construction Products Directive (CPD);⁵
- The Professional Qualifications Directive (PQD),⁶ including the 2013 amendments;⁷
- The Services Directive (SD);⁸
- The Late Payments Directive (LPD 2011)⁹ and its predecessor Directive 2000/35/EC (LPD 2000);¹⁰
- The Energy Efficiency Directive (EED),¹¹ and its predecessor Directive 2006/32/EC (Energy End-Use Directive);¹²
- The Energy Performance of Buildings Directive (EPBD 2010)¹³ and its predecessor Directive 2002/91/EC (EPBD 2002);¹⁴
- The Ecodesign Directive (EDD);¹⁵
- The Energy Labelling Directive (ELD);¹⁶
- The Renewable Energy Sources Directive (RESD).¹⁷

In terms of temporal scope, the analysis also covers acts which have come into force only recently. This is the case of the CPR, the LPD 2011, the EED, the EPBD 2010 and the RESD. In all cases, when regulatory effects are yet too recent to be assessed, it is clearly acknowledged in the analysis. This is especially the case for effects generated by new provisions were not included in the earlier versions of the acts, e.g. certain derogations for SME under the CPR, mandatory obligations concerning Green Public Procurement (GPP) under the EED, or the accreditation/certification of RES installers. In other cases, regulatory effects are generated by provisions that were already included in the previous version of the legislation, sometimes with (minor) amendments, and these could be fruitfully evaluated. This is the case e.g. for the Energy Performance Certificate (EPC) under the EPBD, or product testing provisions under the CPR. The period of entry into force of the various acts, including the transposition period, is shown in Exhibit 1.1 here below.

⁴ Regulation No 305/2011 of the European Parliament and the Council laying down harmonized conditions for the marketing of construction products.

⁵ Council Directive 89/106/EEC of 21 December 1988 on the approximation of laws, regulations and administrative provisions of the MS relating to construction products.

⁶ Directive 2005/36/EC of the European Parliament and the Council on the recognition of professional qualifications

⁷ Directive 2013/55/EU of the European Parliament and of the Council amending Directive 2005/36/EC on the recognition of professional qualifications and Regulation (EU) No 1024/2012 on administrative cooperation through the Internal Market Information System.

⁸ Directive 2006/123/EC of the European Parliament and the Council on services in the Internal Market.

⁹ Directive 2011/7/EU of the European Parliament and the Council on combating late payment in commercial transactions.

¹⁰ Directive 2000/35/EC of the European Parliament and of the Council on combating late payment in commercial transactions.

¹¹ Directive 2012/27/EU of the European Parliament and the Council on energy efficiency.

¹² Directive 2006/32/EC of the European Parliament and of the Council on energy end-use efficiency and energy services and repealing Council Directive 93/76/EEC.

¹³ Directive 2010/31/EU of the European Parliament and the Council on the energy performance of buildings.

¹⁴ Directive 2002/91/EC of the European Parliament and of the Council on the energy performance of buildings.

¹⁵ Directive 2009/125/EC of the European Parliament and the Council establishing a framework for the setting of ecodesign requirements for energy-using products. The preceding act is Directive 2005/32/EC of the European Parliament and of the Council establishing a framework for the setting of ecodesign requirements for energy-using products and amending Council Directive 92/42/EEC and Directives 96/57/EC and 2000/55/EC.

¹⁶ Directive 2010/30/EU of the European Parliament and the Council on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products. The preceding act is Council Directive 92/75/EEC on the indication by labelling and standard product information of the consumption of energy and other resources by household appliances.

¹⁷ Directive 2009/28/EC of the European Parliament and of the Council on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC.

Exhibit 1.1 Gantt Chart of the Legislation in Scope of the Study

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Construction Products					CPD						
										CPR	
Professional Qualifications	Sectoral Acts										
					PQD					(amended)	
Services Directive								SD			
Late Payments	LPD 2000										
										LPD 2011	
Energy Efficiency					Energy End-Use						
										EED	
Energy Performance of Buildings	EPBD 2002										
										EPBD 2010	
Eco-Design									EDD		
Energy Labelling									EDD		
Renewable Energy Sources											RESD*

*: RESD provisions relevant to the construction sector came into force in 2014, the RESD in 2010
 Notes: in grey, transposition period (for CPR, transition period). **Source: Authors' own elaboration**

Sectoral Scope. Construction of buildings is a major economic activity in the European Union (EU), with a total value of production in 2012 corresponding to over 9% of GDP, and a value added contributing for 3.1% to GDP formation in the EU28 countries. In 2014, there were over 3 million firms active in the construction of buildings, with total turnover of about € 1,300 billion and an employment of almost 11 million persons. The production structure is dominated by micro and small enterprises, with an estimate 94% of firms with fewer than 9 employees.¹⁸

The Study focuses primarily on the activities related to the construction and the renovation of residential and public buildings. In practice, the Study concentrates on the *construction sector*, encompassing the construction and renovation of buildings and specialized construction activities (NACE Divisions 41 and 43), with the exclusion of infrastructure works. In order to provide a comprehensive picture of the effects of EU legislation, the Study also covers the other sectors in the construction value chain, i.e. the manufacture of construction products (encompassed under NACE Sections B and C), construction-related professional services, e.g. architects, engineers, or energy auditors (NACE Group M71), and real estate (NACE Section L). While analytical work and interviews were carried out across the whole value chain, the coverage of the various actors in the components of this Study is variable, depending on the relevance of the effects generated by each policy area, and on the depth and breadth of the data collection activity.¹⁹ The correspondence between segments of the value chain and the economic and legal analysis of the themes covered by the Study is reported below in Exhibit 1.2.

¹⁸ Data are from Eurostat, Structural Business Statistics. Value of production and value added refer to NACE Rev 2. Divisions 41 'Construction of buildings' and 43 'Specialised construction activities'; Division 42 'Civil engineering' is excluded as it is not covered by the Assignment. Full sectoral analysis is included in Annex II to the Report.

¹⁹ The size of and the topics covered by the questionnaires and the other survey tools employed in this Study were constrained by the amount of time that could reasonably be devoted to an interview by the respondents. For this reason, questionnaires were drafted as to cover the most relevant topics for each group of stakeholders, even though other topics could, in principle, have been relevant.

Exhibit 1.2 Segments of the Value Chain Covered by the Analysis of the Various Themes

Sector	Internal Market	Energy Efficiency
<i>Renovation of buildings and specialised construction activities</i>	Cross-border movement of qualified craftsmen (PQD) <i>Domestic simplifications (SD)</i> <i>Cross-border establishment and provision of services (SD)</i> <i>Inward effects of cross-border liberalisation (SD)</i> Fight against late payments (LPD)	Energy efficiency requirements and support programmes (EPBD and EED) Issuance of EPC (EPBD) <i>Accreditation/certifications of inspectors of systems and RES installers (EPBD, RESD)</i> Exemplary role of central governments' building (EED)
<i>Professional services</i>	Cross-border movement of qualified professionals (PQD)	Issuance of EPC (EPBD) <i>Accreditation and certifications of inspectors of systems and RES installers (EPBD, RESD)</i>
<i>Construction product manufacturers</i>	Legal framework for construction products (CPD/CPR)	<i>Energy efficiency requirements and support programmes (EPBD and EED)</i> <i>Coherence of other energy efficiency requirements (EDD, ELD)</i>
<i>Real Estate</i>	-	Energy efficiency requirements and support programmes (EPBD and EED)

Note: In italics, qualitative assessments. Source: Authors' own elaboration

The sector focus is a distinctive feature of the Study, differentiating it from other Fitness Check-related exercises, which typically take a look at all impacts of EU legislation (e.g. including social and/or environmental effects), whoever is concerned and whenever they are or will be impacted. The approach of this Study concentrates on one single industry sector, representing 18 million direct jobs and contributing to about 9% of the EU's GDP. This allows for *a detailed analysis of regulatory impacts*, for instance with an assessment of the effects on operators active at different stages of the value chain; and for *a comprehensive assessment of the coherence* of various legislative provisions, i.e. whether any synergy or shortcoming identified generates positive or negative impacts on market operators. Yet, it has to be noted that such sectoral approach overlooks the impacts on industries other than construction and the society at large, be they at the core of EU legislation as in the case of environment or social protection.

Geographical Scope. The Study focuses on 10 Member States (MS) to be covered in detail and that were considered representative of the various economic characteristics of the EU construction industry. These MS are: (i) Belgium; (ii) Denmark; (iii) France; (iv) Germany; (v) Ireland; (vi) Italy; (vii) Poland; (viii) Romania; (ix) Spain; and (x) the United Kingdom. The list of MS to be covered in detail was selected to be representative of the five main construction business systems in the EU and was agreed upon with the Client. Additionally, the selection aimed at ensuring that a sufficient share of the EU sector in terms of output is covered, and these 10 MS do represent more than 80% of the EU turnover (2013 data from Eurostat SBS). Finally, the sample covers the various EU geographical sub-regions, and both large and small MS.

Components. The Study consists of two main components, namely:

- an *economic analysis*, concerned with the identification and, whenever feasible, the quantification of the costs and benefits of EU legislation;
- a *legal analysis*, aimed at assessing the coherence of EU legislation, with the identification of shortcomings, overlaps, gaps, and obsolete measures.

1.2 Structure of This Report

This report presents the results of the work carried throughout the Assignment; it builds upon three previous deliverables,²⁰ where interim results were already presented and approved by the Client. The present report is structured as follows:

1. Section 2 presents: (i) the list of regulatory effects; (ii) the methodologies for the assessment of costs and benefits, the legal analysis, and the ex-post evaluation; and (iii) the intervention logic;
2. Section 3 describes the results of the economic analysis ;
3. Section 4 provides the findings of the legal analysis;
4. Section 5 presents the conclusions with the answers to the Evaluation Questions (EQ);
5. Section 6 concludes.

²⁰ Three deliverables were submitted in the course of the Study: (i) the Revised Inception Report on 19.10.2015; (ii) the Revised First Progress Report on 15.01.2016; and (iii) the Revised Second Progress Report on 15.04.2016.

2 RESEARCH METHODOLOGY

In this section, the methodologies adopted throughout the Assignment are presented. Given the manifold objectives of the studies, the chapter is structured in four sections:

1. Section 2.1. presenting the methodology for economic analysis, which includes the typologies of costs and benefits which informed the assessment, the list of regulatory costs and benefits identified in the selected acts, and the methods for their quantification;
2. Section 2.2 discussing the methodology used for the legal analysis;
3. Section 2.3 listing the methods for the retrieval of primary information and the number of counterparts interviewed or contacted in the course of the Assignment, and the participation to the Open Public Consultation;
4. Section 2.4, where the Intervention Logic is presented; and
5. Section 2.5, where the Evaluation Matrix and the methodology for the ex post evaluation is described.

2.1 Methodology for the Economic Analysis

The identification of the effects, i.e. costs and benefits generated by the nine pieces of legislation in scope of the analysis was based on the most recent Commission guidelines²¹ and CEPS-EA study on the assessment of costs and benefits due to the EU legislation.²²

2.1.1. Typology of Costs

Regulation may result in various types of costs for operators. For the purpose of this Study, regulatory costs are usually categorized along two dimensions, namely: (i) the nature of the costs incurred; and (ii) the frequency of occurrence, i.e. one-off vs. recurrent costs.

Nature of Costs. Following the typology provided in the BR Toolbox, for the purpose of this Study, three categories of regulatory costs have been considered in this Assignment,²³ namely:

- *Regulatory charges* include special fees, levies, or taxes whose payment is made mandatory by legislation. These charges only refer to special obligations affecting a specific sector or type of operators, with exclusion of general taxation;
- *Administrative costs* refer to the expenses incurred for the fulfilment of administrative obligations stipulated in the legislation, such as the costs related to the registration, the notification or the permitting of certain activities or the costs sustained for the supply of data or information for monitoring or policy making purposes, the so called 'information obligations';
- *Substantive compliance costs* relate to the expenses incurred to fulfil obligations affecting the organization and/or production process of operators, typically through the imposition or prohibition of certain activities (e.g. the adoption of certain safety measures or the elimination from the market of certain products). Substantive compliance costs can be further subdivided into: (i) investment costs, incurred when regulations impacts on physical assets; (ii) operating costs, which occur when regulation entails an increase in variable costs (e.g. labour costs, raw materials); and (iii) financial charges, represented by the opportunity cost of the capital required for investments.

²¹ European Commission, Better Regulation Guidelines, SWD(2015)111, 19.5.2015.; European Commission, Better Regulation Toolbox, annexed to the European Commission, Better Regulation Guidelines, SWD(2015)110, 19.5.2015. Hereinafter, 'BR Toolbox'.

²² CEPS – Economisti Associati, Assessing the Costs and Benefits of Regulation, Study for the European Commission - Secretariat General, 10 December 2013. Hereinafter, 'CEPS-EA Study'.

²³ At earlier steps of the Assignment, the full set of regulatory costs and benefits, including both direct and indirect, as reported in the BR Toolbox, was considered for the analysis. Eventually, the regulatory effects considered significant in the selected acts (as reported in Exhibit 2.1 below) correspond to a subset of these categories. Only the relevant categories are thus described in Section 2.1.1 and 2.1.2.

Frequency of Costs. To perform a cost assessment, costs should be classified based on their categories, and in particular whether they are recurrent or one-off. *Recurrent costs* are incurred by operators on a regular basis, because of the need to constantly fulfil certain regulatory obligations (e.g. the monitoring of water discharges), whereas *one-off costs* are incurred in case of discrete changes, also at the entry into force of a new regulation (i.e. a change in testing procedures).

2.1.2. Typology of Benefits

The categorization of regulatory benefits is less neat than in the case of costs. This has largely **to do with the 'asymmetry of effects' characterizing many regulations.**²⁴ For the purpose of this Study, two categories of regulatory benefits have been considered, namely: (i) the benefits resulting from a simplification of pre-existing regulatory provisions, subsumed under the label of **'cost savings'**; and (ii) the benefits associated with the business opportunities created or otherwise facilitated by regulation, subsumed under the label of **'new market opportunities'**. Importantly, according to the scope of the Assignment, only benefits generated on operators of the construction sector are considered. The wider societal benefits of the selected EU acts are generally assessed in the respective evaluation of individual acts and were therefore not analysed in this Study.

- **Regulatory Cost Savings.** Regulatory cost savings are *conceptually analogous to the regulatory costs* described in the previous sub-section, although they obviously carry a **different 'sign'**. **Therefore, cost savings may result** from: (i) the elimination or reduction of regulatory charges (e.g. the removal of a fee for exerting a certain activity); (ii) the simplification of procedures for fulfilling certain administrative requirements (e.g. the reduction in the frequency for submitting a report, from monthly to quarterly), with ensuing decline in administrative costs; and (iii) the elimination or softening of substantive compliance requirements (e.g. the elimination of a requirement to install a metering device), with a decrease in investment and/or operating costs and/or financial charges. Cost savings, both administrative and substantive, also include those linked to the harmonisation of national norms (for cross-border operators or companies operating in more than one MS). Similarly to regulatory costs, savings may be recurrent or one-off.
- **New Market Opportunities.** This is a potentially very broad category, encompassing a wide range of situations in which regulation contributes to the development of new markets or products. A key point is that **regulation rarely 'generates' new opportunities alone**. In most cases, regulation may create the conditions for certain business opportunities to emerge. However, whether these opportunities actually materialize or not (as well as the scale of the new opportunities) depends on the interplay with a host of other factors (from general market trends to the sheer availability of financial resources), including notably the behaviour of the operators. Therefore, this category of benefits is intrinsically different from the regulatory cost savings described above, as the linkage between regulation and the attribution of effects to the regulatory framework, and in particular to the EU legislation, is not univocal due to the presence of other factors.

2.1.3. List of Regulatory Effects

Taking into account the typology described above, a list of effects, i.e. costs and benefits, accruing to operators in the construction value chain due to provisions in the nine acts in scope of the analysis was drafted and subsequently refined with the contribution of Commission Services and stakeholders participating in the Mirror Group. The list is presented in Exhibit 2.1.

²⁴ While costs tend to be visible and localized (i.e. affect a limited number of agents) and can usually be expressed in monetary terms, regulatory benefits are more dispersed, concern a wide range of variables (from economic growth to improved health) and are expressed in different unit of accounts (e.g. lives saved, CO₂ emissions avoided). **Indeed, as pointed out in the BR Toolbox, "there is no commonly agreed taxonomy of regulatory benefits."** (p. 341). Cf. also CEPS-EA Study), at pp. 17 and 31.

Exhibit 2.1 Effects Identified in the Retained Acts on the Construction Sector²⁵

Legal Acts	Nature of the Costs and Benefits Identified (main related provisions) ²⁶
Internal Market	
<i>Construction Product Regulation</i>	<ul style="list-style-type: none"> • Administrative costs/cost savings linked to the obligation of providing information to customers (drafting, supplying and storing of DOP and related technical documentation or instructions and safety information) (articles 4, 5, 6, 7, 11.1, 11.2 and 13.8) • Administrative cost savings linked to the possibility of (i) derogating from DOP (article 5) and/or (ii) posting the DOP online (articles 7 and 60) • Administrative costs/cost savings linked to the affixing of the CE marking on products and the provision of information on the label (articles 8, 9, 11 and 13) • Administrative cost savings due to the easier accessibility of information through the Product Contact Points for Construction (PCPC) (articles 10) • Substantive costs/cost savings linked to the obligation for manufacturers to put in place factory production controls and to have an AVCP performed (articles 11, 13, and Annex V) • Substantive cost savings due to the simplification of procedures for the testing of products and for AVCP for micro enterprises (articles 36 through 38)
<i>Professional Qualification Directive</i>	<ul style="list-style-type: none"> • Administrative cost savings due to the simplification of procedures for the recognition of professional qualifications for establishment under the Automatic Recognition System (articles 21, 49 and 50) • Administrative cost savings due to the simplification of procedures for the recognition of professional qualifications for establishment under the General System (articles 13, 16, 17 and 50) • Administrative cost savings due to the simplification of procedures for the occasional provision of cross border services (articles 5- 7) • Administrative cost savings due to the availability of information via the PSC regarding applicable requirements online (article 57 PQD) and the possibility of complying with formalities online (article 57a PQD) • Administrative costs due to the obligation for service providers to provide information to the recipient of temporary cross-border services (article 9) • New business opportunities from the removal of obstacles to the mobility of professionals and craftsmen providing services to the construction industry

²⁵ No effects were identified in the ELD and EDD, as none of their provisions, including those of the secondary regulation, applied to the construction sector in the period in scope of the analysis. ELD and EDD are considered in the legal analysis and the ex post evaluation.

²⁶ For convenience, the articles mentioned refer to the most recent act (e.g. CPR rather than CPD).

<p><i>Services Directive</i></p>	<ul style="list-style-type: none"> • Regulatory charges savings linked to the proportionality of administrative fees in authorisation schemes (article 13(2)) • Administrative cost savings due to the regulatory simplification of authorisations to the permanent establishment of services providers (articles 9, 10, 11, and 12) • Administrative cost savings due to the elimination of the vast majority of formalities concerning the cross-border provision of services on an occasional basis (article 16, namely 16(2)(b)) • Administrative cost savings due to the simplification of administrative procedures for all cross-border situations, resulting in simple form documents, acceptance of equivalent documents and tacit approval (articles 5 and 13) • Administrative cost savings due to the availability of information via the PSC regarding applicable requirements online (articles 7 and 21) and the possibility of complying with formalities online (articles 6 and 8) • Substantive cost savings linked to the elimination of the need to hire local staff when operating in another MS (articles 15(2)(f) and 16(2)(d)) • Substantive cost savings linked to the elimination of the need to proceed with corporate restructuring to meet entry requirements in another MS (articles 14.1.3, 15.2.b. and .c, and 25) • Substantive cost savings from the elimination of the need to acquire local insurance coverage when operating in another MS (article 23) • Substantive cost savings linked to the generalisation of alternative dispute resolution schemes (article 27) • Substantive cost savings from elimination of other particularly stringent restrictions (articles 14, 15, 24, and 25) • Substantive cost savings due to the elimination of the requirement to establishment for temporary cross-border providers (article 16.2.b) • Substantive cost savings linked to the disapplication of local rules on equipment and materials (article 16.2.f) and of most other host MS requirements (article 16) • Administrative costs due to the obligation for service providers to provide information to the recipient of cross-border services (articles 22 and 27) • New business opportunities from the removal of obstacles to the establishment and operation of construction firms and related providers of services
<p><i>Late Payments Directive</i></p>	<ul style="list-style-type: none"> • Substantive (financial) cost savings linked to the setting of maximum and/or default payment terms in commercial transactions and criteria for the identification of grossly unfair terms and practices (articles 4, 5, and 7) • Substantive cost savings in the form of reduced litigation costs linked to automatic entitlement to late payment interest (articles 3 and 4)
<p>Energy Efficiency</p>	
<p><i>Energy Efficiency Directive</i></p>	<ul style="list-style-type: none"> • New business opportunities linked to obligation to renovate the stock of existing buildings, including the 3% target for central government buildings (articles 4 and 5) • New business opportunities linked to the increase in demand for high energy efficiency goods and services (including construction) by public bodies (article 6) • New business opportunities linked to the increase in demand for energy efficiency services associated to the obligation for energy distributors to reduce their sales by 1.5% per annum (article 7).

<p><i>Energy Performance of Buildings Directive</i></p>	<ul style="list-style-type: none"> • Administrative costs linked to the obligation to obtain and display energy performance certificates of buildings (articles 11-13) • Substantive compliance costs linked to the obligation to meet energy efficiency requirements for buildings, building systems and building elements (articles 4, 6, 7, and 8) • Substantive compliance costs to become a qualified or accredited expert for building certification and equipment inspection (initial and continuous training, software licence, audit by administrations, etc.) • New business opportunities linked to the growing demand for energy-efficient buildings, building systems and materials in order to meet energy performance requirements • New business opportunities linked to issuance of energy performance certificates (articles 11-16)
<p><i>Renewable Energy Source Directive</i></p>	<ul style="list-style-type: none"> • Substantive costs for the installers of renewable energy systems to meet requirements of certification or equivalent qualification schemes (article 14.3)

Source: Authors' own elaboration

2.1.4 Quantification of Regulatory Effects

Estimation of Regulatory Costs. The methodology for the estimation of regulatory charges, administrative and substantive compliance costs is modelled after the *Standard Cost Model* (SCM) and the *Compliance Cost Assessment* (CCA) model. The SCM measures a specific category of regulatory costs, the administrative costs linked to the so-called '**information obligations**'.²⁷ The CCA model follows the same principles of the SCM but expands their application to all regulatory costs, including substantive compliance costs.²⁸ The SCM and CCA model are well known, commonly used by the Commission in BR-related work and therefore they do not require an extensive presentation; their basic features are presented in Box 2.1 below.

Box 2.1 – Basic Features of the SCM/CCA

Under the SCM/CCA the costs incurred by operators in complying with a certain regulatory obligation are broken down into two main components, namely: (i) the cost of the personnel employed in complying with the obligation, and (ii) the other out-of-pocket expenditures incurred by the firm (e.g. fees for lawyers or accounts, investment in equipment, expenses for technical testing, etc.). When out-of-pocket expenditures also include investment costs, they are annualised over the appropriate amortisation period – depending on the investment at stake – and financial costs, that is the opportunity cost of capital, may be included in the calculation when relevant. The cost for each obligation is then multiplied for the frequency of the obligation (e.g. annual, quarterly, etc.), yielding the total annual cost. In practice, for any given obligation, the cost (C) is computed using the following formula:

$$C = [(T * W) + E] * F$$

where:

T is the time spent by the firm's personnel in complying with the obligation;

W is the unit cost of the personnel (i.e. the wage) involved in complying with the obligation;

E represents the expenditures incurred in complying with the obligation; and

F is the frequency of the obligation per annum.

The parameters used in the formula normally originate from interviews with firms. In order for cost estimates to be reliable, the firms interviewed must be or 'typical' of the situation being studied. The total cost of complying with a certain regulatory obligation can then be estimated by multiplying the average cost by the number of firms subject to the obligation in question.

²⁷ Cf. International Standard Cost Model Network, *The International SCM Manual: measuring and reducing administrative burdens for businesses*, 2005. A detailed description is also provided in the BR Toolbox, see Tool #53 available at http://ec.europa.eu/smart-regulation/guidelines/tool_53_en.htm.

²⁸ For a comprehensive review of the CCA model, see OECD, *Regulatory Compliance Cost Assessment Guidance*, 2014. The model is also discussed in the CEPS-EA Study, especially section 2.2.

Identification of the typical firm. The vast sectoral scope of the Study required the **identification of 'several' typical firms. A typical firm had to be identified in the case of** construction companies, professionals, and product manufacturers. Furthermore, in all cases the interviewees needed to include a sufficient number of typical cross-border companies, which are however not representative of the typical firm in each sub-sector. All in all, the application of the SMC and CCA model prescriptions to determine the typical firm, and hence the typical cost parameter, had to be adapted according to the specific context of individual legal acts. In certain cases, in line with these methodologies, the typical firm could be identified by identifying average or median parameters, and excluding outliers (e.g. for the CPD/CPR, PQD). In other cases, e.g. to estimate the regulatory effects in the energy efficiency policy area, interventions and market opportunities were so idiosyncratic and variable across the company population, that the Consultants could not identify a typical business and had to more largely rely on secondary sources.

Estimation of the Business-As-Usual (BAU) Factor. Sometimes, the costs imposed by regulation, both administrative and compliance ones, are commingled with other costs that a firm would incur under normal circumstances. In these situations, in order to estimate the true **'regulatory burden', an effort must be made to separate** the two cost components. This requires the estimation of the so-called business-as-usual (BAU) factor, that represents the share of costs that would be incurred even in the absence of regulation. The Consultants estimated the BAU factor based on indirect qualitative information retrieved from companies, as they are usually not able to explicitly quantify the BAU factor. The BAU factor is particularly important for the CPR. In this context, companies and stakeholders were surveyed on the usefulness of the information provided via the DOP and CE marking and on whether they would carry out testing activities in the absence of any regulatory requirements. The qualitative findings, retrieved in over a four-step ladder, were then transformed in a quantitative assessment of the BAU factor.²⁹ In other instances, the BAU factor was estimated at 0: this is the case for the PQD – **whereas costs are only incurred because of the professional's decision to undergo the recognition of professional qualifications – and of the EPC.**³⁰ Finally, in one instance the BAU factor could be **estimated based on secondary sources: this is the case of the 'normal' rate of renovation of public buildings, which was retrieved from the Commission's Impact Assessment of the EED.**

Estimation of Regulatory Cost Savings. The assessment of cost savings resulting from regulatory simplification relied on the *same methodology used for the assessment of regulatory costs*. Regulatory cost savings (be they administrative or substantive) are indeed specular to regulatory costs, only carrying a different sign.

Estimation of New Business Opportunities. The SCM/CCA approach cannot be used to assess the positive effects of EU legislation in terms of new business opportunities. In fact, the SCM/CCA implicitly assumes a linear relationship between regulation and its effects, with no **confounding factors. In contrast, regulation is typically only 'contributing' to the emergence of** new business opportunities, whose actual materialization and magnitude is influenced by a host of other factors. Under these conditions, the estimation of these categories of benefits can be based on an *in-depth investigation of each specific situation*, with the careful consideration and weighting of the various elements at play. Where information about the situation at stake is available, a **'top down' approach** was considered as the effective methodology, e.g. in the case of new business opportunities in the new building and renovation markets due to EE requirements. The Consultants thus started from the review of available studies on the overall magnitude of the benefits, and then refined the analysis based on information retrieved from stakeholders. When little is known about the phenomenon to be investigated, a **'bottom up' approach** was considered as the only feasible, e.g. in the case of the demand for services triggered by the energy savings targets imposed to energy distributors by the EED.

²⁹ Cf. Section 3.2.1 below and, more in detail Annex III, Section 2.6.

³⁰ Cf. Sections 3.3.2 and 3.6.2.

Cumulative Assessment of Costs and Benefits. In section 6.1 below, a comprehensive view of the costs and benefits generated by the EU legislation is provided. However, it falls short of a cumulative assessment for three reasons. First of all, while costs and cost savings, both administrative and substantive, are commensurable quantities, new market opportunities are not. New market opportunities have a different nature, as (i) effects may be distributional, rather than additional; and (ii) market opportunities also generate actual or opportunity costs for market operators. For instance, a professional may enjoy revenues from the EPC, which are partly compensated by a loss of business / opportunity costs in other market segments or, *ceteris paribus*, **a decline in demand in adjacent markets, due to the customers' budget constraints**. Similarly, construction companies benefit from the market opportunities generated by energy efficiency legislation, but at the same time incur costs for improving their skills or purchasing higher quality input materials, and may face a declining demand if the price of energy efficient buildings or services increases. Secondly, these costs, benefits and market opportunities concern various operators representing different links on the value chain. However, the construction **value chain can be better described as a 'network of competence' rather than a set of vertical relations**, and this prevents a proper estimation of the necessary pass-on relationship. In a nutshell, it would not be possible to allocate a share of e.g. quantified benefits linked to increase mobility of professionals under the PQD, to construction companies, as this does not automatically translate into cost savings or market opportunities for the latter. Thirdly, due to data availability, not all costs and benefits could be quantified, especially with respect to the impact of simplifications for domestic and cross-border companies, and available quantifications have non-homogeneous geographical coverage. As such, a partial cumulation, if at all possible, would remain misleading, while the current approach allows to consider in fair terms both qualitative and quantitative impacts.

The question remains on how to provide a sound estimate of the cumulated costs and benefits falling upon the construction sector. While the analysis of cumulated regulatory costs – let alone benefits – is still in its infancy, past experiences allow drawing general guidelines for this purpose. First of all, the analysis is likely to be much sounder if it focuses on a single and homogeneous sector, as the 'core' construction sector would be, rather than on a complex industry with both vertical and horizontal links. Secondly, the analysis should not be limited to certain policy areas, but focus on all pieces of legislation which create the largest costs (benefits) to the sector, to draw a comprehensive picture. Thirdly, the cumulation requires the analysis to deal with commensurable objects, and this is the reason why it usually concerns only one side of the coin, i.e. costs, rather than both costs and benefits. Finally, such a study requires the commitment and cooperation of trade associations, at both EU and national level, which should agree on providing contacts with a sufficiently large sample of companies, and foster their associates to disclose sensitive data, e.g. about cost structure and financial performances.³¹

Attribution of Costs and Benefits to the EU Legislation. The separation of the effects attributable to the EU legislation from those resulting from national legislation and other factors is a crucially important aspect of the Study. Among the Retained Acts, only one, the CPR, is a regulation.³² In this case, effects are presumed to be entirely of EU origins, as confirmed by discussion with stakeholders and firms. However, eight Retained acts are directives, the impacts of at least two government tiers, i.e. national and European, are inevitably intertwined. As there is no mathematical method for disentangling the impacts of different institutions, the attribution was based on the retrieval of qualitative findings, which are then classified over a qualitative scale and transformed into quantitative values. Qualitative findings mainly include: (i) information on the temporal sequence of events, e.g. whether a certain effect was already at play before the approval or transposition of the EU Directive; (ii) a check of whether certain national norms refer to the EU legislation in defining their objectives; (iii) judgment from stakeholders and public authorities. This exercise had a different degree of complexity for the

³¹ Cf. Schrefler, L., Luchetta, G. and F. Simonelli (2013), Regulatory Impact Assessment: A New Approach to ex post Evaluation in the EU: The Cumulative Cost Assessment, European Journal of Risk Regulation, Vol. 4, No. 4, pp. 539 – 541.

³² CPR was approved in 2011, and replaced a Directive, CPD.

various acts. For the EPC provided for by the EPBD, the situation was clear, as a limited number of MS had every taken steps towards mandating certification of energy performance of buildings before the enactment of the EU legislation, which thus has a major role. For the EE requirements and support programmes, to the contrary, most of MS had already in place a legislation and national funding, which were then complemented, and in some cases relaunched, by EU provisions. For the LPD, available data, complemented with qualitative findings retrieved from public authorities and stakeholders, allow determining, based on the temporal sequence of the events, whether the variation in payment delays took place before, at the same time, or after the revision of the EU legal framework hence providing an indication of the role of this EU act.

2.2 Methodology for the Legal Analysis

The evaluation of coherence involves looking at how well or not different actions work together. Checking coherence in the context of this Study means looking at how the various internal components of several pieces of EU legislation operate together with respect to the overall objective of enhanced competitiveness and sustainability in the construction sector. Therefore, the alignment of the different EU legal acts in the field of Internal Market (products and services) and Energy Efficiency, whether in terms of definitions, scope (e.g. in terms of market actors and/or various sub-sectors), and other common substantial requirements (e.g. reporting and inspection regimes, product and standard requirements), were looked only from this specific angle in this Study. This does not prejudice the fitness of individual legal acts with respect to their specific objective.

Given the relatively large number of EU legal acts in these fields, the assessment of coherence is of critical importance, and will need to consider whether all pieces of EU legislation form a coherent regulatory set in which the different pieces are consistent and reinforce each other through aligned provisions and approaches, or whether there are shortcomings in EU legislation. In case the assessment concludes that there are shortcomings, the Study will identify and define them in specific terms, and assess whether these shortcomings are a result of faults in the provisions of EU legislation itself (e.g. contradictory terminology) or are due to national implementation and transposition. Finally, the evaluation of coherence will assess how the identified shortcomings impact the construction sector, i.e. the costs to the construction sector that can be attributed to these shortcomings. This aspect goes beyond the traditional analysis of coherence and is considered to be closely linked to the analysis of policy efficiency.³³

For the legal analysis, the Retained Acts were split into three main groups consisting of three acts each:

1. Legislation providing requirements for construction products, either as product requirements or as labelling requirements, namely the CPD/CPR, EDD, and ELD
2. Energy efficiency legislation that is applicable to the construction sector, that are the EED, EPBD, and RESD.
3. Legislation applicable to the provision of services in the construction sector, that are the SD, PQD, and LPD.

Additionally, coherence issues between EU legal instruments that were grouped into different blocks were also taken into account, in particular: (i) the EPBD, EED, EDD and ELD; (ii) the EPBD and CPR; and (iii) the EED, EPBD, RESD and PQD.

For each group of acts, the analysis assesses the extent to which the selected EU acts are mutually supportive, or whether, conversely, any legal shortcomings (i.e. inconsistencies, overlaps, gaps) could be identified. The analysis of coherence focuses on three main aspects, namely: (i) the consistency among the objectives pursued by the various pieces of legislation³⁴; (ii) the coherence of the scope and definitions; and (iii) the coherence of substantive

³³ Cf. Section 5.5 below.

³⁴ **Following the requirement in the Terms of Reference for this Study to pay particular attention to “the SME related aspects and to the impacts of this legislation on them”, this subsection also assesses whether SME are effectively taken up in the scope of application of the various pieces of EU legislation.**

requirements imposed upon construction sector operators. While the analysis obviously focuses on EU legislation, whenever relevant the interaction with national legislation was also considered. Finally, a conclusion is reached on whether or not (and to which extent) any of the shortcomings have an impact on the performance of the construction sector.

The main sources for the coherence analysis include the implementation reports prepared by the European Commission, the preparatory studies of the pieces of legislation and the evaluations and IAs of the individual instruments. Further, interviews with stakeholders at the EU level and in the MS, conducted in the context of this fitness check, have provided some detail on the coherence of the legal framework applicable to the construction sector. A survey of manufacturers and their trade association, also conducted in the context of this Study, provided additional information. Finally, our research was further enriched by policy documents, position papers, the results from open public consultations and other legal literature.

2.3 Retrieval of Primary Information

Retrieval of primary information for this Study was carried out via:

1. Face-to-face or telephone interviews with *stakeholder associations* at EU and national level;
2. Face-to-face or telephone interviews with *public authorities* in the MS to be covered in-depth;
3. Face-to-face or telephone interviews with *firms* in the MS to be covered in-depth;
4. The *Open Public Consultation (OPC)*;
5. Two *additional surveys* targeted at special audiences, namely: (i) an online questionnaire with associations and other stakeholders active in the construction products **industry**; and (ii) **an email survey of architects' professional bodies**.

Finally, the Consultants attended four events organized by business associations/institutions.³⁵

Interviews with associations and national authorities were carried out in the 10 MS to be covered in detail. They were conducted on the basis of *checklists*, consisting of lists of themes for discussion. The checklists were always tailored to the specific context and interlocutor. Interviews with firms were conducted on the basis of structured *questionnaires*. A set of four questionnaires was developed, targeting different categories of firms, namely: (i) firms and craftsmen involved in the construction of buildings and specialized construction activities (corresponding to NACE Division 41 and NACE Groups 43.1, 43.3 and 43.9); (ii) firms and craftsmen providing installation services (corresponding to NACE Group 43.2); (iii) professionals providing construction-related architectural and engineering services (included i.a. in NACE Group 71.1); and (iv) manufacturers of construction products (which belong to various groups in NACE Sections B and C).

In total, there were *170 successful contacts*, of which *132 interviews*,³⁶ *10 contacts through the email survey of architects' professional bodies*, and *28 respondents to the online survey for construction products stakeholders*.³⁷ More in detail:³⁸

1. Interviews were held with 13 *EU stakeholder associations*, and, in addition, nine EU level associations were surveyed through the online questionnaire for the construction product sector.
2. With respect to *national stakeholder associations*, interviews were held with 28 entities; in addition, 38 associations and professional bodies were surveyed through the

³⁵ These include: (i) the Joint Committee meeting of the UEPC (European Union of Developers and House Builders) held in Utrecht on 5.11.2015; (ii) the meeting of the CEN Construction Sector Network Core Group held in Brussels on 20.10.2015; (iii) a workshop organized by Construction Products Europe on 12.11.2015; and (iv) the Annual Board Meeting of the European Builders Confederation (EBC) on 18.12.2015.

³⁶ The methodology originally envisaged 100 interviews, of which 10 with national authorities, 20 with industry associations, and 70 with firms.

³⁷ Participants to the online survey for construction products stakeholders were 32; however, 4 of them preferred remaining anonymous and are not accounted among the contacts described here above.

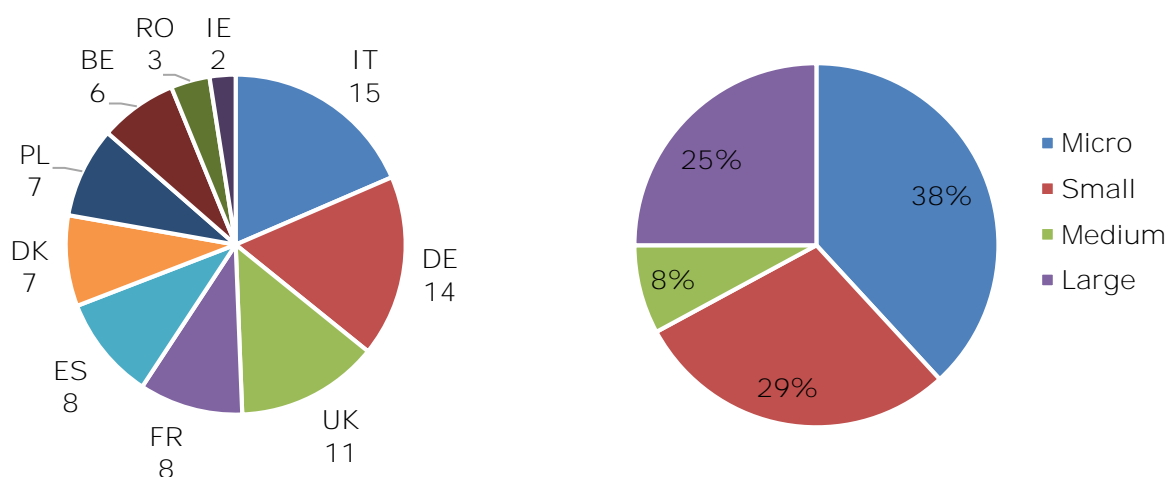
³⁸ Further information on the interviewees is provided in Annex V, Sections 2 and 3.

online questionnaire for the construction sector and the email survey for national chambers of architects.

3. All 10 *national governments* were interviewed; in several cases, the counterparts identified were responsible for only part of the themes addressed by the EU legislation to be analysed. Therefore, in order to ensure an adequate coverage, multiple contacts per country were sometimes necessary.
4. 81 *interviews with firms* were carried out, and in particular 48 interviews were held with construction companies and providers of specialised construction services, and 33 with other operators, of which 16 with professionals and 17 with product manufacturers.

Information on the geographical coverage and size class of interviewed companies is reported below in Exhibit 2.2. The geographical distribution of respondents³⁹ was defined *ex ante* based on the relative importance of each MS within the EU construction sector.⁴⁰ As for firm size, 75% of the sample is represented by SME, including a plurality of micro companies or independent professionals.

Exhibit 2.2 Geographical (left) and Size (right) Distribution of Interviewed Companies



Notes: 5 companies declined to provide information on their size.

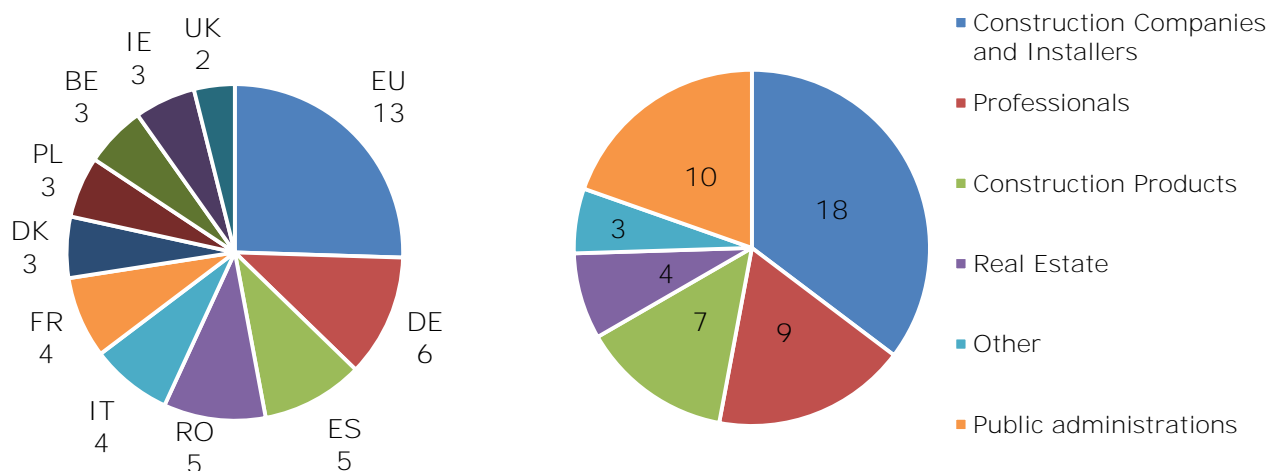
Source: Authors' own elaboration.

With respect to the semi-structured interviews with public administrations and stakeholder associations, their geographical distribution of is represented in the left side of Exhibit 2.3. At MS level, the number of counterparts interviewed depends on idiosyncratic features of national organisations, e.g. whether a single association covers both construction companies and installers, or whether SME are represented by their own association; and accounts for specific research needs, e.g. a discussion of issues with cross-border insurance with German and French insurance federations. On the right side of Exhibit 2.3, the coverage in terms of sectors is shown. Interviewed stakeholder associations mainly represent construction companies and installers, but also cover professionals, product manufacturers, and real estate operators.

³⁹ A Portuguese professional was included as he had experience in cross-border operations in Spain (and is thus accounted for among Spanish respondents).

⁴⁰ The exact *ex ante* distribution was defined based on the share of each country in terms of value added and number of persons employed, with each variable being given equal weight (source: Eurostat Structural Business Statistics). Then, the distribution was subsequently refined to account for issue of data quality and consistency emerging during the interview process, and to cover specific topics which deserved additional data points (e.g. cross-border provision of professional or construction services).

Exhibit 2.3 Geographical (left) and Sectoral (right) Distribution of Interviewed Stakeholders and Public Administrations



Source: Authors' own elaboration.

Open Public Consultation. Alongside the fact-finding strategy as described above, an OPC was set up to retrieve information from the public at large. The OPC was opened on March 29th and remained open for 12 weeks, until June 20th.⁴¹ It covered both the current Study and the parallel study on health and safety and environmental policies. The OPC was articulated over three questionnaires, defined in accordance with the Client: one for citizens, one for professionals, and one for public administrations. The definition of three questionnaires was necessary given the different kind of information and opinions that could be retrieved from the various stakeholder groups.

Findings of the OPC have been used to support and validate the current analysis throughout the Main Text. In particular, it has been verified whether results from the OPC were consistent with the evidences retrieved from other primary sources and secondary sources, and whether the problems and opportunities identified therein were consistent with the identification of the provisions most relevant in generating costs and benefits to the industry. The results of the OPC relevant to the policy areas covered by this Assignment are reported in Annex VII.

The OPC saw the participation of 55 respondents. In particular: 37 respondents replied to the Professionals Questionnaire, 13 to the Authorities Questionnaire, and 5 to the Citizens Questionnaire.⁴² The 55 respondents originate from 20 countries, including 18 MS and 2 non-EU countries (Norway and Switzerland). The plurality of respondents came from Belgium (13 out of 55), also including a EU-wide organisation whose headquarter is in Brussels. Germany follows with 8 respondents, while 4 of them are from Finland and Spain. The United Kingdom and France host three respondents each, and Sweden, Luxembourg, Italy, Croatia and Denmark two respondents each. Other MS – from which one respondent originates - covered by the OPC includes Czech Republic, Estonia, Ireland, Malta, the Netherlands, Austria and Romania. One respondent declined to provide information on her/his/its country of residence.

⁴¹ In addition, some stakeholders contacted the responsible European Commission services indicating that they would be providing answers shortly after the deadline. The European Commission service accepted these submissions from three professional bodies and one public authority. Two of these late answers are however not covered within the scope of the analysis of the OPC, since such contributions did not explicitly address the OPC questions. These answers were however considered, where appropriate, in the main part of the Study.

⁴² During the analysis, it appeared that one respondent to the Authorities Questionnaire was in fact a professional body, which, for the purposes of the OPC, were classified within the Professionals Questionnaire. The answers from this stakeholder were therefore considered among the professional respondents. The analysis assumes that this respondent chose not to answer to those questions that were only asked within the Professionals Questionnaire.

Concerning the *nature of respondents* to the Professionals Questionnaire, 29 out of the 37 respondents provided information on their principal field of activity: 7 of them are manufacturers or traders of construction products; 8 of them are providers of construction activities; 5 of them are providers of professional services, and 9 are different market operators (including real estate operators and providers of testing and analysis services). Most respondents to the Professionals questionnaire (11 out of 37) are industry / business associations or workers organisation/associations and trade unions (9 respondents). Respondents also include four private companies, three non-governmental organisations, and two employees (who did not reply on behalf of their companies).

The Mirror Group. The methodology, the preliminary findings, and the results of this Study were presented and discussed in the course of the Assignment with a Mirror Group, in which 38 representatives of EU stakeholder associations and national governments took part. The Mirror Group met four times between July 2015 and March 2016. Finally, a draft version of this report was discussed with stakeholders at a Validation Workshop, organised by the European Commission on May, 26th 2016. Representatives of EU stakeholder associations, national stakeholder associations, national governments, and Commission Services attended the Workshop. The findings of the Study were presented and discussed in this forum, and **stakeholders' feedback, provided both orally during the meeting and subsequently in writing**, has been reflected in the current version of the Report.

Data Quality and Mitigation Strategies. The Consultants invested significant resources in ensuring a thorough coverage of the sub-sectors and MS in which the fact-finding work took place. All in all, the quality of the data retrieved from firms, industry associations, and public administrations proved to be good, though several iterations were necessary to reach a sufficient number of responses, validate findings, and clarify diverting diverging evidences.

- Contacts with *industry associations* were generally fruitful, although in certain cases the reaction was less warm than initially expected. Some associations have manifested concerns regarding the implementation of several parallel studies on the construction industry, which are perceived to place an excessive burden on their members. This resulted in some delays/difficulties in establishing contacts with national associations, which in turn reverberated on the ability to identify firms to be interviewed. In some cases, delays were also experienced at the level of national associations that not always have well developed contacts with firms, and therefore have to link up with territorial associations at the provincial/department level. In order to compensate for this, the Consultants activated own channels to reach out for firms and increased the number of contacts with national associations, so as to enhance the chances of getting useful referrals. In practice, this resulted in a number of contacts with industry associations significantly greater than initially envisaged.
- In the case of *national authorities*, there were initially some delays in identifying the right counterparts, but eventually interviews could be carried out with all 10 national governments. Reactions ranged from a very cooperative attitude, with the rapid provision of information and referrals, to difficulties in reaching out to the person in charge of the various dossiers covered by this Assignment. In several cases, the counterparts identified were responsible for only part of the themes addressed by the EU legislation to be analysed. Therefore, in order to ensure an adequate coverage, multiple contacts per country were required, or a pivot was identified, to disseminate requests and collect information from various offices.

Issues with data quality and availability emerged throughout different aspects of the analysis and pieces of legislation, and, across the various themes, were dealt with as follows:

1. With respect to the *CPD/CPR*, two issues concerned:
 - a. the lack of an agreed-upon definition of the NACE groups belonging to the **'construction product industry'**. For analytical purposes, the definition adopted by the most recent evaluation study, refined as necessary, was adopted.⁴³ It is acknowledged that this may affect the quantitative findings in an unclear direction: on one side, not all companies included in the selected NACE groups are product manufacturers, and this may lead to an overestimation of costs and benefits; on the other, companies not included in the selected NACE groups are product manufacturers, and this may lead to an underestimation of costs and benefits;
 - b. the retrieval of data on derogations and simplifications. The sample of firms interviewed is much larger than what required by SCM and CCA methodology; however, this was insufficient to identify costs and benefits linked with these specific provisions, which still have limited take-up. To retrieve information on these aspects, and to validate other issues as well, an online survey of stakeholder associations was organised, in order to enlarge the range of actors covered by the fact-finding phase.
2. With respect to the *PQD*, two issues concerned:
 - a. the reliability of the Regulated Profession Database, which provides data on the population of mobile professionals and craftsmen. Commission services expressed reservations on whether data included in the database were comprehensive and up-to-date. However, the Consultants retrieved qualitative information from stakeholders and public administrations validated, through which the order of magnitude of the data included in the database could be validated;
 - b. the identification of a sufficient number of professionals who did undergo the PQD mechanisms, in order to retrieve cost parameters for the quantification of administrative burdens. Singling out cross-border professionals proved difficult; most importantly, skewing the sample towards them would not have been representative of the population when it comes to impacts from other pieces of legislation. To address this problem, **an email survey of architects' professional bodies** was carried out, to identify the cost parameters for the automatic recognition procedure, the general system procedure, and the temporary mobility.
3. With respect to the *SD*, companies were not able to provide any quantitative estimate of the benefits, concerning both domestic and cross-border simplifications. The Consultants attempted to fill data gaps by consulting additional stakeholders or secondary sources. While some pieces of information were retrieved (and is reported in Annex III to the report), the data gaps in terms of (i) number of occurrences of certain administrative activities; (ii) flows of construction companies operating cross-border; and (iii) cost and benefit parameters for simplifications remained too wide to carry out any quantitative analysis. A qualitative assessment was then performed.
4. With respect to the new market opportunities generated by the *energy efficiency policy area*, divergences appeared in the data provided by interviewees, both among respondents, and in relation to secondary sources. For this theme, the information from secondary sources was generally used as a starting point, with interviews being used for validation purposes. More in detail:
 - a. Concerning the diachronic analysis, retrieval of yearly estimates of incremental costs linked to EE requirements proved too burdensome; hence, stakeholders

⁴³ For a more detailed discussion, see Annex II, Section 2.1. Cf. RPA (2015), Analysis of implementation of the Construction Products Regulation, Final Report prepared for the European Commission, DG Internal Market, Industry, Entrepreneurship, and SME.

- were asked for three data points (2004, 2009, and 2014) and the series was interpolated, where necessary, based on data trends, secondary sources, and impacts due to time-bound changes in national EE requirements;
- b. additional research and validation concerned the market for energy EE-related renovation, for which there is little systematic information and the analysis had to rely on a variety of sources. Comprehensive studies are available for only few countries, and even in these cases there are at times discrepancies among the various sources. In most (though not all) the countries analysed, the EE-related renovation activities are driven by government support programmes and, therefore, in certain cases the market was estimated based on data on the assistance provided. The information collected from stakeholders and firms was usually of limited use, as either they were not able to provide any quantification, or the figures provided showed a wide range of variation, reflecting peculiar situations or distorted perceptions. Still, in few cases, information from interviews was the only one available forcing the Consultant to resort to **fairly rough 'guess estimates'**.
5. The lack of data points and of comparable data, mostly due to the specificities of national legal frameworks, prevented the quantification of the costs linked to the *qualification/accreditation of EPC experts, inspectors of heating and cooling systems, and RES installers*. The Consultants underwent additional research and resorted to the expertise of specialised research institutes; however, while this allowed for a qualitative assessment (which is included in Annex III), the number of cost parameters remained insufficient to perform a quantitative analysis.
 6. For the *LPD*, consistent data series, comparable across time and MS, could be identified only for 6 MS. Additional attempts were carried out to use other national sources, but they were frustrated by the different methodologies and types of data collected. For this reasons, the analysis was limited to these 6 MS.
 7. Concerning *coherence*, all interviewees were submitted a set of questions on the various legal shortcomings or overlaps. A limited number of firms was able to provide any comment on coherence issues, and none of them was able to provide any quantitative information on their effect. In general, the level of awareness of legal shortcomings and overlaps is fair across EU actors, limited when it comes to national stakeholder associations, and negligible when it comes to companies. For this reason, most of the attempts to provide a quantitative estimate of the impact of coherence issues were frustrated, and only a qualitative analysis could be provided for selected shortcoming or overlaps. In general, the paucity of data and information that could be retrieved from companies supports the hypothesis that coherence issues related to the selected EU acts had a limited impact on construction operators.

2.4 Intervention Logic

As mentioned in the Roadmap for the Sectoral Fitness Check, the 'EU legislation in [these] areas [...] has different features, in terms of policy objectives, mechanisms, and resources, which need to be recognised and taken into account throughout the Sectoral Fitness Check. This represents a methodological challenge [...] because the assessed legislation is not primarily targeting the construction sector'.⁴⁴ To cope with the 'different objectives, mechanisms, and resources', Exhibit 2.4 below shows the *intervention logic*, where the specific aspects of each acts are spelled out, in view of their proper consideration in the subsequent analysis with respect to their impacts on the construction sector. The intervention logic analysis is focused on the processes through which the acts triggered outputs, outcomes, and ultimately impacts, hence describing the underpinning causal linkages.⁴⁵

⁴⁴ Roadmap for the Sectoral Fitness Check, at p.2.

⁴⁵ Cf. the model proposed in the Roadmap for the Sectoral Fitness Check.

The intervention logic analysis starts from *the individual acts covered by the Study*, rather than from a general 'EU construction policy'. Indeed, this would risk being fictitious, since there is not a single EU construction policy enacted and implemented by a single body within the Commission. Rather, one of the outputs of the present Assignment is to investigate whether and how the various pieces of legislation analysed fit together, engendering synergies or duplication and loopholes. Actually, it appears clearly from the identification of policy objectives (see the first column of Exhibit 2.4) that most of these acts were:

1. implemented for *multidimensional purposes and to deliver societal benefits*, and, in particular, to achieve the overarching objectives of a more integrated Single Market and the EU climate and energy strategy; and
2. even when they directly promote the competitiveness or sustainability of EU companies, they are *horizontal* in nature, as they concern a vast range of industries.

To enter more into detail, only one of the nine acts of the Short List solely and directly targets operators in the construction value chain or, in other words, the supply side of the construction market. This is the case of the *CPD/CPR*. Another act directly targets the building sector, the *EPBD*, though covering both the supply and demand side of the construction market. However, and most importantly, EPBD main objective is the reduction of energy consumption in buildings in view of achieving the overarching objectives of EU climate and energy policy, hence its expected outcomes and impacts primarily consist of societal benefits, further to the effects on construction operators.

The other acts in the Internal Market policy area are horizontal in nature, as:

1. the *PQD* concerns all regulated professions, including professionals service providers and craftsmen in sectors other than the construction industry;
2. the *SD* concerns a vast group of service industries other than the construction industry;
3. the *LPD* concern all EU companies.

While these acts do have an effect on construction operators – both those operating cross-border and domestically – their general objectives are not to ensure the competitiveness and sustainability of the building industry, but to deepen Single Market integration, ensure its smooth functioning, and improve the competitiveness of the EU economy as a whole.

Also the other acts in the Energy Efficiency policy area are horizontal in nature, since:

1. the *EED* covers the whole EU economy and society, and, with respect to the demand side of the energy market, both industrial processes and buildings;
2. the *ELD* and *EDD* cover, in principle, all energy-related products, and only a limited set of them is also considered as construction products;
3. the *RES* covers, in general, promotion of RES in energy consumption, in buildings, as well as in industrial processes, electricity production, and transport.

These acts are not only horizontal, but, most importantly, adopted for multidimensional purposes and to deliver societal benefits. As in the case of the *EPBD*, their first and foremost objective is indeed the achievement of the goals of the EU climate and energy policy.

To make clear that the evaluation includes acts whose objectives go further beyond than construction operators, Exhibit 2.4 shows (i) in bold, objectives which are both relevant and specific to the construction/building industry; and (ii) in bold and underlined, objectives which are relevant, but not specific, to the construction/building industry.

Exhibit 2.4 Intervention Logic

	Act	Objective	Process	Output	Outcome	Impacts	
Internal Market	CPR	<ul style="list-style-type: none"> Freedom of circulation of construction products in the Single Market Common language for declaring performance of construction products Simplification of the legal framework for construction products 	<ul style="list-style-type: none"> Harmonised standards EOTA Contact points for construction products 	<ul style="list-style-type: none"> Rules to express the performance of construction products via DOP Simplifications, derogations, e-government solutions CE marking 	<ul style="list-style-type: none"> Lower barriers to free circulation of construction products Mitigation of regulatory burdens on enterprises <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>External Constrains</p> <ul style="list-style-type: none"> National market surveillance Demand features Building customs Local features (e.g. climate, seismicity) </div>	<ul style="list-style-type: none"> More integrated Single Market for construction products Increased competition (lower prices / more variety / better quality for customers) Higher productivity Customers' trust Reduced environmental footprint of construction products 	Construction Competitiveness and sustainability
	PQD	<ul style="list-style-type: none"> <u>Freedom of movement of professionals and craftsmen within the Single Market</u> <u>Consolidation and simplification of the framework for recognition of professional qualifications</u> Reinforcing guarantees for users of professional services 	<ul style="list-style-type: none"> Automatic Recognition General System Professional card Network of contact points 	<ul style="list-style-type: none"> Uniform qualification recognition procedure in case of establishment Simplified procedure for cross-border temporary provision of services Alignment of educational and training requirements for certain professions 	<ul style="list-style-type: none"> Facilitation of the labour mobility of regulated professions and crafts within the EU Facilitation of cross-border service provision <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>External Constrains</p> <ul style="list-style-type: none"> Language knowledge Public health or safety implications </div>	<ul style="list-style-type: none"> Increase in free movement of professionals and craftsmen Improvement of the competitiveness of the professional service and craft markets Increased competition (lower prices / more variety / better quality for customers) 	

	Act	Objective	Process	Output	Outcome	Impacts	
Internal Market	CPR	<ul style="list-style-type: none"> Freedom of <u>establishment for services providers</u> Freedom of <u>provision of cross-border services</u> 	<ul style="list-style-type: none"> Revisions of and limitations to regulatory conditions for <ul style="list-style-type: none"> Domestic operators Cross-border service providers Cross-border establishment Points of single contact Administrative cooperation 	<ul style="list-style-type: none"> Simplification of the regulatory framework for construction operators Simplification of the regulatory framework for the establishment of service providers Simplification of the regulatory framework for cross-border provision of services Rights of recipients of services 	<ul style="list-style-type: none"> Reduction of regulatory constraints and burdens Reduction of barriers to entry in services markets Lower barriers to free circulation of service providers <div style="border: 1px solid black; padding: 5px;"> External Constrains <ul style="list-style-type: none"> Demand features MS implementation Language barriers Tradability of services Sectoral legal frameworks </div>	<ul style="list-style-type: none"> Increase in free movement of service providers Increased competition (lower prices / more variety / better quality for customers) Higher productivity GDP growth Improvement of the quality of services Strengthening service users' rights 	Construction Competitiveness and sustainability
	LPD	<ul style="list-style-type: none"> Promotion of EU competitiveness Reduction of and <u>financial costs for companies</u> Facilitation of the functioning of the Single Market 	<ul style="list-style-type: none"> Harmonisation of payment periods and ancillary conditions in B2B and PA2B transactions 	<ul style="list-style-type: none"> Time limits for payment delays Minimum interest rate Compensation of recovery costs 	<ul style="list-style-type: none"> Shorter payment periods Reduction of costs for creditors (working capital, financial costs) <div style="border: 1px solid black; padding: 5px;"> External Constrains <ul style="list-style-type: none"> Macroeconomic conditions Fiscal constraints Creditor's incentives to challenge the debtor </div>	<ul style="list-style-type: none"> Improvement of firms' competitiveness Avoidance of liquidity constraints for companies, especially SME Better functioning of Internal Market 	
Energy Efficiency	EED	<ul style="list-style-type: none"> Contribution to the 20% reduction target for energy consumption Savings on the <u>energy- demand side, including buildings and industry</u> Higher political commitment into energy efficiency Creation and <u>functioning of a market for energy efficiency improvements</u> 	<ul style="list-style-type: none"> National plans Energy efficiency obligation schemes Energy audits 	<ul style="list-style-type: none"> Renovation of public buildings Promotion of support programmes for EE (also in buildings) Obligations on public procurement Minimum annual energy savings for energy distributors and retailers Smart metering 	<ul style="list-style-type: none"> Improvement of energy efficiency in the EU <div style="border: 1px solid black; padding: 5px;"> External Constrains <ul style="list-style-type: none"> Technical sustainability Cost-effectiveness Demand features </div>	<ul style="list-style-type: none"> Reduction of greenhouse gas emissions Lower reliance on energy imports Economic growth Energy security 	

	Act	Objective	Process	Output	Outcome	Impacts	
	EPBD	<ul style="list-style-type: none"> • Contribution to the 20/20/20 targets for reductions of energy consumption, use of RES and greenhouse gas • Promotion of cost-effective EE measures in the building sector • Provision of information on energy consumption of buildings and systems • Promotion of the leading role of the public sector 	<ul style="list-style-type: none"> • National plans • EPC and other certification schemes • Inspection and Control Systems 	<ul style="list-style-type: none"> • MS-based minimum requirements for EE in <ul style="list-style-type: none"> ◦ new buildings ◦ existing buildings undergoing major renovations ◦ building elements ◦ technical building systems • Common methodology to calculate energy performance of buildings 	<ul style="list-style-type: none"> • Improvement of energy performance of buildings in the EU • Creation of market for EE construction services and products <div data-bbox="1294 523 1697 703" style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;">External Constrains</p> <ul style="list-style-type: none"> • Local climatic conditions • Indoor climate requirements • Cost-effectiveness • Affordability </div>	<ul style="list-style-type: none"> • New market opportunities for construction service providers, installers, and professionals • Construction sustainability (reduction of greenhouse gas emissions) • Lower reliance on energy imports • Energy security 	
	EDD	<ul style="list-style-type: none"> • Reduction of energy consumption and environmental impacts of energy-related products • <u>Support of the market transformation towards more efficient and environmental-friendly energy-related products</u> • <u>Creation and functioning of the Single Market for energy-related products</u> 	<ul style="list-style-type: none"> • Feasibility studies • Delegated acts for specific products • Voluntary agreements • Working plan 	<ul style="list-style-type: none"> • Ecodesign requirements • CE marking 	<ul style="list-style-type: none"> • Improvement of the energy and environmental performance of the products • Prevention of barriers to trade <div data-bbox="1294 1114 1697 1294" style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;">External Constrains</p> <ul style="list-style-type: none"> • Market surveillance • Physical and technological limitation • Price and other demand features </div>	<ul style="list-style-type: none"> • Reduction of greenhouse gases emissions • Lower environmental footprint • Promotion of innovation • More integrated Single Market for energy-related products 	Construction Competitiveness and sustainability

	Act	Objective	Process	Output	Outcome	Impacts	
Energy Efficiency	<i>ELD</i>	<ul style="list-style-type: none"> Reduction of energy consumption and environmental impacts of energy-related products <u>Support of the market transformation towards more efficient and environmental-friendly energy-related product</u> <u>Creation and functioning of the Single Market for energy-related products</u> Provision of information on product performance to consumers 	<ul style="list-style-type: none"> Collection and provision of information for suppliers and dealers Feasibility studies Delegated acts for specific products Monitoring activity by MS Information campaigns 	<ul style="list-style-type: none"> Energy labels Other means of provision of information on the energy consumption of products 	<ul style="list-style-type: none"> Reduction of energy and non-energy consumption <ul style="list-style-type: none"> Per use Via more efficient uses Promotion of purchases of more efficient products Prevention of barriers to trade <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p style="text-align: center;">External Constrains</p> <ul style="list-style-type: none"> Market surveillance Physical and technological limitation Price and other demand features </div>	<ul style="list-style-type: none"> Reduction of greenhouse gases emissions Lower environmental footprint Promotion of innovation More integrated Single Market 	Construction Competitiveness and sustainability
	<i>RESD</i>	<ul style="list-style-type: none"> Contribution to achieve the 20% target for the share of energy from RES Promotion of installation of RES technologies in buildings 	<ul style="list-style-type: none"> National plans Administrative procedures and regulations Guarantee of origin for energy MS reporting 	<ul style="list-style-type: none"> Mandatory targets for RES Information and training Grid access for RES Sustainability criteria for biofuels 	<ul style="list-style-type: none"> Increase of the share of RES over energy consumption <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p style="text-align: center;">External Constrains</p> <ul style="list-style-type: none"> Cost-effectiveness Affordability Access to grid </div>	<ul style="list-style-type: none"> Reduction of greenhouse gas emissions Lower reliance on energy imports Economic growth Energy security 	

Source: Authors' own elaboration

Notes: in bold, objectives which are relevant and specific to the construction/building industry; in bold and underlined, objectives which are relevant, but not specific, to the construction/building industry

An ex post attempt can be made to conceptualise all these acts within the Commission Strategy for the sustainable competitiveness of the construction sector.⁴⁶ Therein, the main EU policy objectives and actions to achieve and improve the competitiveness and sustainability of this industry are spelled out. Taking into account the segments of the construction sector in the **scope of this Assignment, i.e. 'construction of buildings' and 'specialised construction activities'**, these policy objectives can be summarised as follows:⁴⁷

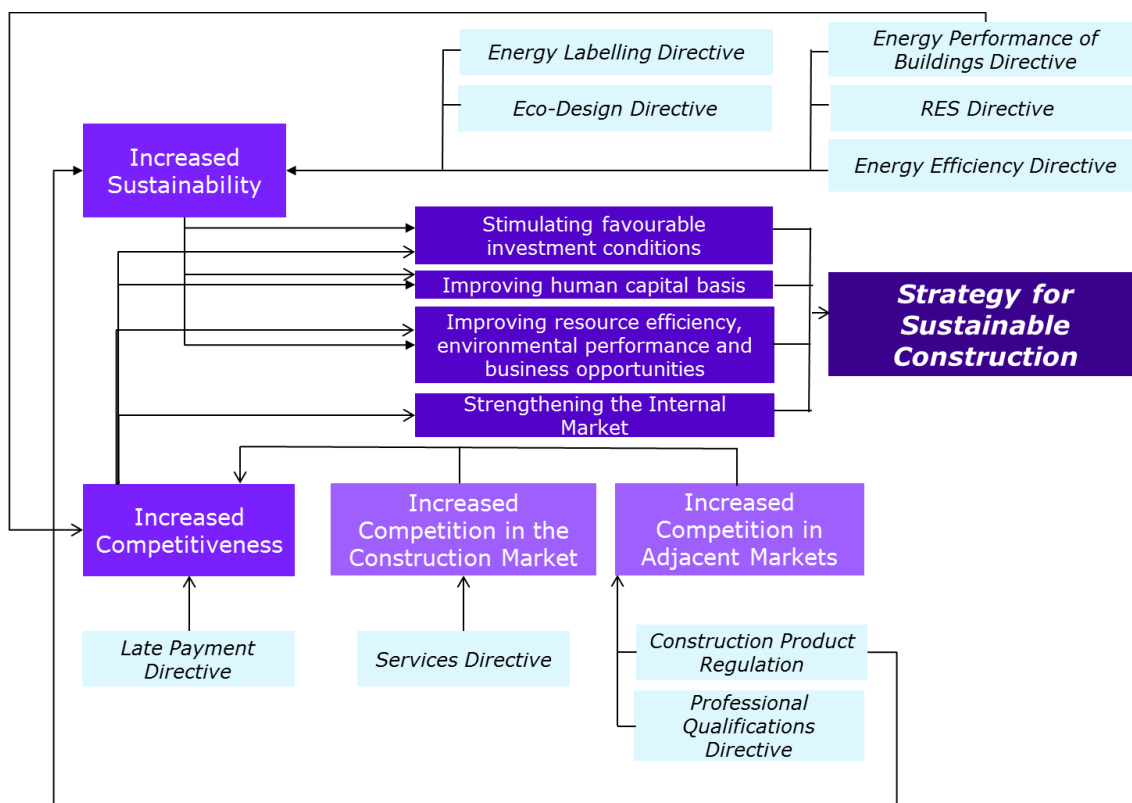
1. Stimulating favourable investment conditions, by placing great emphasis on building renovation and on combating late payments;
2. Improving the human capital basis, by attracting young workers to relevant construction professions, enhancing the mobility of skilled workers, and improving the working environment and the career management;
3. Improving resource efficiency, environmental performance and business opportunities, by developing harmonised indicators, codes and methods for the assessment of the environmental performance of construction products, processes and works, fostering GPP, and streamlining authorisation processes for construction projects;
4. Strengthening the Internal Market, by ensuring that the relevant legal framework is **as clear and predictable as possible, reducing 'red tape', and accelerating the convergence of different national and regional regulatory approaches.**

Exhibit 2.5 below shows the relationship between the acts retained for this Study and the Commission Strategy for the sustainable competitiveness of the construction sector. In general, acts in the Internal Market policy area aim at improving the industry competitiveness – with the exception of the CPR, which also aims at improving the sectoral sustainability. On the other side, acts in the Energy Efficiency policy area aim at improving the industry sustainability – with the **exception of the EPBD, which is one of the pillar of the promotion of construction operators'** competitiveness, especially as far as EE renovations are concerned. By increasing competitiveness and sustainability, these acts contribute to the specific objectives spelled out in the Strategy.

⁴⁶ Communication from the Commission, Strategy for the sustainable competitiveness of the construction sector and its enterprises, 31.07.2012, COM(2012)433.

⁴⁷ **The Commission's** Strategy for the sustainable competitiveness of the construction sector identifies **another objective, that is 'enhancing access to international markets, especially in the public-works area'**; it is mostly relevant for the civil engineering sector, which remains outside the scope of the Study.

Exhibit 2.5 Conceptual Framework



Source: Authors' own elaboration

2.5 Methodology for the Ex Post Evaluation

The various data collection and analysis exercises undertaken within the scope of this Assignment have fed into the *ex post evaluation of the impacts on the construction sector of the selected EU acts* in the policy areas of Internal Market and Energy Efficiency against the criteria of *relevance, coherence, effectiveness, efficiency, and added value*. The objective of this evaluation is to provide an evidence-based critical analysis regarding the performance of the selected EU acts with respect to the competitiveness and sustainability of the EU construction sector.

The evaluation criteria mentioned above are detailed in a series of *Evaluation Questions (EQ)*, to which the Report provides an analytical answer. Here below, the *evaluation matrix* is presented in Exhibit 2.6 below, detailing the judgment criteria, indicators,⁴⁸ data sources, and data collection and analysis methods for each EQ.

⁴⁸ The indicators included in the evaluation matrix have selected according to the RACER framework, in order to be (i) Relevant, that is closely linked to the EQ as operationalised through the judgment criteria; in particular, there is at least one indicator for each judgment criterion; (ii) Accepted, i.e. retrieved from relevant literature or best evaluation practices and partly verified through expert assessment and during the first set of interviews with stakeholder associations and firms; and (iii) Credible, that is easy to interpret and unambiguous, especially in view of drawing evidence for policymaking. . The two other criteria included in the RACER framework, namely 'Easy to monitor' and 'Robust', are more appropriate to evaluate objective indicators, that is those linked to the logical framework of the intervention as defined in the ex ante phase. Cf. European Commission, BR Toolbox, pp. 250 and ff.

Exhibit 2.6 Evaluation Matrix

EVALUATION QUESTION	JUDGEMENT CRITERIA	INDICATORS	DATA SOURCES	DATA COLLECTION/ ANALYSIS METHODS
Relevance				
1. To what extent are the objectives of the different identified EU acts relevant in the context of a more competitive and sustainable construction sector?	<ul style="list-style-type: none"> •Alignment between objectives identified in the Commission strategy for the construction sector and selected EU acts 	<ul style="list-style-type: none"> •Qualitative assessment of the alignment of objectives •Share of stakeholders expressing positive appreciation of the objectives of the selected acts 	<ul style="list-style-type: none"> •Firms •EU and national trade associations •Legal acts and accompanying documents •IAs / evaluations •Policy documents •Position papers 	<ul style="list-style-type: none"> •Legal analysis of pieces of legislation and policy documents •Checklist-based interviews with stakeholders •Desk research •Public consultation
Coherence				
2. To what extent do the selected EU acts fit together sufficiently well and provide the construction sector with a clear and predictable regulatory framework?	<ul style="list-style-type: none"> •Coherence and synergy of the selected EU acts •Legal clarity / non-ambiguous interpretation: <ul style="list-style-type: none"> ○ Definitions ○ Procedures ○ Scope of acts ○ Exceptions •Predictability: extent to which open-ended provisions and requirements can be anticipated 	<ul style="list-style-type: none"> •Qualitative assessment of coherence •Share of stakeholders expressing positive perception with regards to coherence, clarity and predictability of selected EU acts •Number and severity of changes in definitions/interpretations 	<ul style="list-style-type: none"> •Legal acts and accompanying documents •IAs / evaluations / public consultation reports •Policy documents •Position papers •Court rulings •Firms •EU and national trade associations •Public authorities •Country Reports 	<ul style="list-style-type: none"> •Legal analysis of original texts and interpretation, queries, complaints, case law •Checklist-based interviews with stakeholders •Checklist-based interviews with public authorities •Desk research •Public consultation
3. What are the specific inconsistencies, overlaps (e.g. in terms of definitions), or gaps that can be identified across the selected EU acts?	<ul style="list-style-type: none"> •Identification of legal shortcomings <ul style="list-style-type: none"> ○ Inconsistencies ○ Overlaps ○ Gaps ○ Obsolete provisions 	<ul style="list-style-type: none"> •Number and severity of shortcomings 		
4. To what extent can the inconsistencies and overlaps be attributed to provisions in the selected EU acts or to implementation and/or transposition at national (including regional and local) level or to existing national legislative frameworks?	<ul style="list-style-type: none"> •Cause of legal shortcomings <ul style="list-style-type: none"> ○ EU legislative framework ○ National legislative framework 	<ul style="list-style-type: none"> •Attribution (EU/national/local) of shortcomings 		

EVALUATION QUESTION	JUDGEMENT CRITERIA	INDICATORS	DATA SOURCES	DATA COLLECTION/ ANALYSIS METHODS
Effectiveness				
<p>5A. To what extent has the EU legislation in the areas of Internal Market and Energy Efficiency contributed to achieving the objectives of a competitive and sustainable construction sector?</p> <p>5B. What are the obstacles that still stand in the way of achieving the objectives of a competitive and sustainable construction sector?</p>	<ul style="list-style-type: none"> •Economic analysis of the market trends and competitiveness of the EU construction industry •Effect of selected EU acts in the Internal Market policy area on the competitiveness of construction firms •Effect of selected EU acts in the Energy Efficiency policy area on the competitiveness of construction firms, and their sustainability 	<ul style="list-style-type: none"> •Market data: <ul style="list-style-type: none"> o production volume o production value o share of renovation over total production o number of firms o jobs in the sector 	<ul style="list-style-type: none"> •Firms •EU and national trade associations •Sectoral publications and databases •Eurostat SBS •IAs / evaluations 	<ul style="list-style-type: none"> •Semi-structured interviews with firms •Checklist-based interviews with stakeholders •Desk Research •Economic Analysis •Public Consultation
6. What are the unintended positive or negative consequences and side effects of the selected EU acts?	<ul style="list-style-type: none"> •Effects (or lack thereof) which do not correspond to the objectives or intended outcome of the selected acts 	<ul style="list-style-type: none"> •Unintended positive and negative regulatory effects: <ul style="list-style-type: none"> o Administrative costs / cost savings o Substantive costs / cost savings o New business opportunities and efficiency gains 	<ul style="list-style-type: none"> •Firms •EU and national trade associations •Sectoral publications and databases 	
Efficiency				
7. What are the costs and benefits associated with the implementation and transposition of selected EU acts for the construction sector, in particular for its SME?	<ul style="list-style-type: none"> •Costs and benefits for construction firms •Distributional impacts along the value chain 	<ul style="list-style-type: none"> •Quantified regulatory effects, both costs and benefits, generated by the selected acts <ul style="list-style-type: none"> o Administrative costs / cost savings o Substantive costs / cost savings o New business opportunities 	<ul style="list-style-type: none"> •Firms •EU and national trade associations •Sectoral publications and databases •Eurostat SBS 	<ul style="list-style-type: none"> •Semi-structured interviews with companies •Checklist-based interviews with stakeholders •Desk Research •Economic Analysis
8. Are the benefits achieved at the lowest possible cost for the sector given the objectives of the legislation?	<ul style="list-style-type: none"> •Costs which can be avoided or recouped downstream 	<ul style="list-style-type: none"> •Share of avoidable / duplicated costs •Pass-on factor 		

EVALUATION QUESTION	JUDGEMENT CRITERIA	INDICATORS	DATA SOURCES	DATA COLLECTION/ ANALYSIS METHODS
<p>9. To what extent do 'shortcomings' in the selected EU acts, or in its implementation/ transposition at a national level, impact on the performance of the construction sector?</p>	<ul style="list-style-type: none"> •Effect of obstacles and shortcomings identified in the selected EU acts in the Internal Market policy area on the competitiveness of construction firms •Effect of obstacles and shortcomings identified in the selected EU acts in the Energy Efficiency policy area (and related obstacles and shortcoming) on the competitiveness of construction firms, and their sustainability 	<ul style="list-style-type: none"> •Regulatory effects, both costs and benefits, generated by the obstacles and shortcoming 	<ul style="list-style-type: none"> •Firms •EU and national trade associations •Sectoral publications and databases •Eurostat SBS 	<ul style="list-style-type: none"> •Semi-structured interviews with firms •Checklist-based interviews with stakeholders •Desk Research •Economic Analysis
<p>10. How do the costs and benefits differ across the EU?</p>	<ul style="list-style-type: none"> •Difference in costs and benefits for construction firms located in different MS 	<ul style="list-style-type: none"> •Difference in quantified regulatory effects, both costs and benefits, generated by the selected acts <ul style="list-style-type: none"> o Administrative costs / cost savings o Substantive costs / cost savings o New business opportunities 	<ul style="list-style-type: none"> •Firms •EU and national trade associations •Sectoral publications and databases •Eurostat SBS 	<ul style="list-style-type: none"> •Semi-structured interviews with firms •Checklist-based interviews with stakeholders
<p>11. What factors influence the costs and benefits, in particular with regard to national transposition?</p>	<ul style="list-style-type: none"> •Institutions or legal provisions (in particular national) having a significant impact on cost differentials 	<ul style="list-style-type: none"> •Country-specific regulatory effects (costs and benefits) 	<ul style="list-style-type: none"> •Firms •EU and national trade associations •Public authorities •Sectoral publications and databases 	<ul style="list-style-type: none"> •Checklist-based interviews with stakeholders •Checklist-based interviews with public authorities •Desk Research •Economic Analysis
<p>12. How are the various aspects related to inefficiencies and unnecessary burdens addressed by MS and the affected industry sector in terms of cooperation and coordination?</p>	<ul style="list-style-type: none"> •Forms of cooperation and coordination reducing costs or delivering benefits for construction firms 	<ul style="list-style-type: none"> •Regulatory effects, both costs and benefits, generated for the construction sector by forms of cooperation and coordination 	<ul style="list-style-type: none"> •Firms •EU and national trade associations •Public authorities 	

EVALUATION QUESTION	JUDGEMENT CRITERIA	INDICATORS	DATA SOURCES	DATA COLLECTION/ ANALYSIS METHODS
EU Added Value				
13. What is the added value of action at EU level, especially for SME?	<ul style="list-style-type: none"> •Attribution of costs and benefits to the EU and national level •EU added value 	<ul style="list-style-type: none"> •Share of costs and benefits attributable to EU / national level •Amount of costs avoided or benefits gained thanks to selected acts 	<ul style="list-style-type: none"> •Results of the economic analysis 	<ul style="list-style-type: none"> •Semi-structured interviews with firms •Checklist-based interviews with stakeholders •Checklist-based interviews with public authorities •Desk Research •Public Consultation
14. What would have happened to the construction sector if the selected EU acts some of their specific provisions were to be removed and/or handled at MS level?	<ul style="list-style-type: none"> •BAU factor (share of additional costs and benefits compared to normal business practice) 	<ul style="list-style-type: none"> •Share of BAU benefits and costs over total benefits and costs 		

Source: Authors' own elaboration

3 ECONOMIC ANALYSIS: COSTS AND BENEFITS OF SELECTED EU ACTS

3.1 Introduction

This Section of the Report is devoted to the illustration of the results of the fact-finding work aimed at assessing the effects of selected pieces of EU legislation in the policy areas of internal market and energy efficiency, namely the CPR, the PQD, the SD, the EPBD, the EED, the RESD, and the LPD, the regulatory effects of which are listed in Exhibit 2.1 above. For all the effects analysed, an effort was made to provide a quantification of the costs and benefits attributed to EU legislation. The quantification exercise relied on the methodology for estimating costs and benefits already presented in Section 2 above. While in this Section only the results and the main information are reported, the full analysis is developed in Annex III to the Main Report.

This Part is structured as follows:

- Section 3.2 reviews the effects of the CPR and of the passage from the CPD to the CPR, with reference to a wide range of provisions potentially generating costs or cost savings;
- Section 3.3 reviews the effects linked to the PQD, dealing with business opportunities, administrative costs, and cost savings;
- Section 3.4 analyses the effects of the SD, and in particular the benefits from simplification, for both domestic and cross-border operators, and the inward effects from inflows of EU construction companies;
- Section 3.5 discusses the market development effects of the adoption of stricter energy efficiency standards in buildings, in line with what envisaged by the EPBD;
- Section 3.6 reviews other effects generated by the EPBD linked with the issuance of Energy Performance Certificates (EPC);
- Section 3.7 assesses a set of other regulatory effects in the Energy Efficiency policy area, with respect namely to the EED, EPBD, and RESD;
- Section 3.8 analyses the effects associated with the LPD, with particular reference of the cost savings associated with the shortening of payment terms.

3.2 Costs and Cost Savings of the Construction Product Regulation and Directive⁴⁹

In this section, the regulatory effects of the *Construction Product Regulation (CPR)* and *Directive (CPD)* are assessed, including those linked to the transition from the latter to the former. The effects consist of substantial costs and cost savings, as well as administrative costs and cost savings. Data sources include:

1. Primary information obtained through interviews with companies;
2. Primary information obtained through interviews with trade associations, public authorities and other stakeholders;⁵⁰
3. Primary information obtained through an online questionnaire targeted at trade associations and other stakeholders;⁵¹

⁴⁹ This Section summarizes the key results of a more detailed analysis presented in Volume 2, Annex III, Section 2.

⁵⁰ Seventeen interviews were held with manufacturing companies, of which 14 delivered information on the CPD/CPR framework. The interviews with companies were key to retrieve cost and cost saving parameters and, as consequence, to carry out the quantifications provided below in this section; importantly, the number of data points retrieved largely exceeds those required by the SCM method. Furthermore, information was also retrieved from interviews with governments and trade federations at EU and national level. A workshop to retrieve information for this Study was organized by Construction Products Europe on 12 November 2015.

⁵¹ To cover several aspects of the CPR framework, including specific simplification provisions as well as the opinion of SME, a supplementary online survey of trade associations and other stakeholders was run. The dissemination of the survey was supported by Construction Products Europe. Thirty-seven stakeholder organisations from 13 MS, Norway and Switzerland participated in the survey.

4. Secondary sources,⁵² including the Impact Assessment (IA) carried out by the EU⁵³ and by UK authorities,⁵⁴ the CPD Evaluation Report,⁵⁵ the recent RPA study on the CPR,⁵⁶ and industry position papers.⁵⁷

3.2.1 The Regulatory Framework of the Construction Product Regulation and Directive

The CPR, as the CPD previously did, regulates the market for construction products according to the concept of the **'New Approach'** to Single Market regulation: the legal text sets the general objectives, while the detailed rules concerning every single product are defined through standardisation or secondary legislation. This ensures that the system remains flexible while promoting the fulfilment of the higher objectives.

However, the CPR/CPD is a *sui generis* regulation within the New Approach paradigm, because it does not set performance targets, but a *uniform framework to assess product performance and to declare related information*. While a New Approach Directive on e.g. the safety of certain products would state the minimum safety level that a manufacturer needs to guarantee **to place a product on the Single Market, the CPR 'only' sets a common methodology for measuring** the performance of construction products over their essential characteristics.⁵⁸

What is the reason for such an approach focusing on *performance measurement* rather product performance? The most important reason is that the definition of construction product requirements and, most notably, of building requirements is left to MS, at either national or local level. This complies with the subsidiarity principle, inasmuch MS and local governments can more effectively and efficiently tailor their construction product and building regulations to the geographical, climatic, and seismic features of their territory, and to the building customs and demand characteristics of their societies.

Secondly, construction product performances alone do not ensure that the construction works in which they are installed fulfil any essential requirements. Indeed, *the performance of a building depends on both the products used and its design*. The regulation of the essential requirements of construction works thus demands the combination of a **'construction product specification' and an 'application rule', concerning the design, construction, or installation** of buildings, building systems, and building elements. The essential requirements for construction works, usually implemented by professionals through **'accepted solutions', vary from country to country**, and even within a country.⁵⁹

⁵² Recently, the Commission adopted a Report on the implementation of Regulation (EU) No 305/2011 of the European Parliament and of the Council of 9 March 2011 laying down harmonised conditions for the marketing of construction products and repealing Council Directive 89/106/EEC (COM(2016)445). Given the timeframe of its adoption, it could not be covered by this Study.

⁵³ Commission Staff Working Document Accompanying the Proposal for a Regulation laying down harmonised conditions for the marketing of the construction products – IA, 23.5.2008, SEC(2008)1900. Hereinafter 'IA on CPR'.

⁵⁴ Department for Communities and Local Government (2009), IA of the European Commission's proposed Construction Products Regulation. Hereinafter, 'UK IA'.

⁵⁵ PRC (2007), Study to evaluate the Internal Market and Competitiveness Effects of Council Directive 89/106/EEC, Final Report to DG ENTR, Hereinafter 'CPR IA background Study'.

⁵⁶ RPA (2015), Analysis of implementation of the Construction Products Regulation, Final Report prepared for the European Commission, DG Internal Market, Industry, Entrepreneurship, and SME. Hereinafter, 'RPA Study'.

⁵⁷ E.g., Construction Products Europe (2014) implementation of the Construction Product Regulation, **Manufacturers' report**. Hereinafter 'CPE Position Paper'.

⁵⁸ The essential characteristics of a construction product, as defined in art. 2.4 CPR, are those related to the Basic Requirements of a construction work. Those requirements are listed in Annex I to the CPR as follows: (i) Mechanical resistance and stability; (ii) Safety in case of fire; (iii) Hygiene, health and the environment; (iv) Safety and accessibility in use; (v) Protection against noise; (vi) Energy economy and heat retention; and (vii) Sustainable use of natural resources. The latest requirements was not included under the CPD.

⁵⁹ Cf. CPR IA background Study, at pp. 28 and ff.

In a nutshell, MS or local governments are free to set essential requirements for construction works; in addition, they may also set requirements for construction product performance, or rather allow any product to be used as long as the essential requirements of construction works are met. *The CPR does not mandate any performance requirement, for neither construction products nor works, but sets a uniform method to measure the performance of a construction product*, a method which is then defined through standards. In this way, construction operators across Europe are sure that product performance declarations **'speak the same language', i.e. that are drafted according** to the same measurement methodology and parameters regardless of the country of production or installation. Consequently, performance declarations can be effectively used to verify whether a construction work meets national and local requirements.

Through such a framework, the CPR/CPD aims at ensuring the *free circulation of construction products within the Internal Market*, and as such at promoting the competitiveness of product manufacturers and of the construction sector as a whole.⁶⁰ This objective is achieved by: (i) mandating manufacturers to express the performance characteristics of their products using only the harmonised technical language set through the CPR framework (including the applicable standards);⁶¹ and (ii) prohibiting MS from impeding the making available on the market or the use of construction products compliant with the CPR framework, *as long as the declared performance correspond to the requirements for such use in that MS*.⁶²

The specific CPR/CPD approach has an important impact for the measurement of costs and benefits generated on the construction sector: companies do not have to incur into substantive cost to modify their products or production processes in order to meet any performance requirement, as confirmed by firms and trade associations. Rather, the CPR/CPD generates cost and cost savings related to the *measurement and certification of the performance of their products according to the applicable hEN or European Assessment Document (EAD)*.

3.2.2 The Changes Introduced by the Construction Product Regulation

The CPR was approved in March 2011 and fully came into force in July 2013.⁶³ It repealed the CPD and aimed at clarifying, simplifying and further harmonising the pre-existing legal framework. In this section, the most relevant changes, which could affect the competitiveness and sustainability of the construction industry, are described.⁶⁴ This description is functional to the quantification of the costs and cost savings carried out in sections 3.2.3 to 3.2.8 below.

DOP. Under the CPD, the manufacturer had to draw the Attestation of Conformity for the product that it intended to CE-mark;⁶⁵ under the CPR, the manufacturer needs to draw the Declaration of Performance (DOP) for all products covered by hEN or EAD.⁶⁶ Both the CPD Attestation of Conformity and the CPR DOP include similar information. The main difference between the CPD and the CPR is the duty for the manufacturer to provide the DOP to customers;⁶⁷ under the current framework, companies can opt for supplying their DOP in paper or via electronic means.⁶⁸ Derogations from the duty to draw a DOP have been introduced in the following cases: (i) products individually manufactured or custom-made in a non-series process, and installed in a single identified construction work; (ii) construction product manufactured on the construction site; and

⁶⁰ Cf. CPR IA.

⁶¹ Cf. Art. 4-6 CPR.

⁶² Cf. Art. 8.4 CPR.

⁶³ Art. 68 CPR.

⁶⁴ Hence, it does not aim at providing a full analysis of the new CPR framework. For a full analysis of the changes and the early implementation of the CPR, cf. RPA Study.

⁶⁵ Art. 13 CPD.

⁶⁶ Art. 4 CPR.

⁶⁷ Under the CPD, the Attestation of Conformity was not placed on the market; it was kept with the manufacturer and provided upon need or request.

⁶⁸ Art. 7 CPR.

(iii) construction product manufactured in a traditional way or for heritage conservation.⁶⁹ Under the CPD, there was no derogation from the duty to draw the Attestation of Conformity, though a simplified declaration of conformity could be drafted for individual and non-series production.⁷⁰

CE marking. Under the CPR, all products covered by a DOP or EAD need to be CE-marked.⁷¹ Under the CPD, CE marking was not mandatory in four MS: Finland, Ireland, Sweden, and the United Kingdom.⁷² In addition, the meaning of the CE marking in the context of the CPR was clarified.

Product Contact Points for Construction (PCPC). According to the CPR, MS have to designate a PCPC to **'provide information, using transparent and easily understandable terms, on the provisions within its territory aimed at fulfilling basic requirements for construction works'**.⁷³ To reduce the proliferation of contact points, this role could be entrusted to existing national contact points (e.g. those foreseen under the SD) or to national SOLVIT centres.⁷⁴

Assessment and Verification of Constancy of Performance (AVCP). AVCP systems have been simplified, by removing System 2, foreseen under the CPD.⁷⁵ Art. 37 allows micro-enterprises to use different methods for products covered by Systems 3 and 4, where so provided for in the hEN, and to resort to System 4 for products for which System 3 would be required. Art. 38 allows manufacturers to replace AVCP with Specific Technical Documentation for individually manufactured or custom-made in a non-series process.

Simplified testing provisions. The CPR has introduced simplified procedures, such as in the following cases: (i) **in case tests have been carried out for corresponding products (cd. 'test-sharing');** and (ii) **for assembled products, when testing has been carried out on components (cd. 'cascading')**.⁷⁶ In those cases, type-testing or type-calculation needs to be replaced by Appropriate Technical Documentation. Some of the simplifications, such as test-sharing and cascading, were already part of the CPD broader framework, though they were not included in its binding text.⁷⁷

Sustainability. In the CPR, a new Basic Requirement was introduced, that is Basic Requirement 7 on **'Sustainable use of natural resources'**. Under the CPD, the environmental performance of construction products was not dealt with. Basic Requirement 7 is an enabling provision, allowing manufacturers to declare **the 'environmental performance' of their products in the DOP and in the CE marking**.

3.2.3 Administrative Costs and Cost Savings Linked to the Obligation of Providing Information to Customers

In this section, the *administrative costs and cost savings related to drafting and supplying the DOP and the CE marking* are considered, based on the quantitative parameters retrieved from **17 company interviews, and the Consultants' analysis, which resorted to the SCM methodology**.⁷⁸ More in detail, under the CPD regime, i.e. between 2004 and 2012, costs arose from the preparation and storing of the Attestation of Conformity and the preparation and supply

⁶⁹ Art. 5 CPR.

⁷⁰ Art. 13.5 CPD.

⁷¹ Art. 8 CPR.

⁷² Art. 4 CPR. Cf. CPR IA, at p. 9.

⁷³ Art. 10 CPR.

⁷⁴ RPA Study, at p. 139.

⁷⁵ Cf. Annex III CPD and Annex V CPR.

⁷⁶ Art. 36 CPR.

⁷⁷ E.g., for test-sharing, cf. §4.13 of the Guidance Paper M concerning Council Directive 89/106/EEC.

⁷⁸ When collecting data relating to costs, companies are asked to provide the costs incurred to issue a DOP. As a result, the cost savings due to CPR simplifications, e.g. because of the eDOP, are already accounted for in the figures included in this section. In other words, the cost of issuing a DOP would be higher in the absence of an eDOP, but the savings are already included in the cost figures provided by companies. While a separate estimation of costs and cost savings cannot be presented in this section, savings due to specific simplifications introduced by the CPR are discussed in Section 3.2.4 below.

of the CE marking; under the CPR regime, i.e. from 2013 onwards, costs have been generated from drafting and submitting to customers the DOP and CE marking. The two tasks are considered jointly⁷⁹ as a single business activity, as they are strictly linked to each other.⁸⁰

Interviewed firms were asked how many employees (in Full Time Equivalent - FTE) work on DOP preparation and updating, and whether other costs are incurred relating to the DOP preparation. However, a split between DOP preparation / DOP supply / CE marking preparation and supply appeared not to be realistic, because those tasks are usually conferred to the same people within a company. Hence, more aggregate data were collected from interviewees on:

1. The number of people working on the DOP and the CE marking, including drafting, supplying and storing. Based on the data retrieved, the following parameters are estimated:
 - a. A typical medium or large company employs 2 FTE (usually a technician and one/two clerks);
 - b. A typical SME employs 1 FTE (either a technician, or a technician and a clerk);
 - c. Micro-enterprises account for 80% of the company population according to available Eurostat data, with an average number of persons employed equal to 2.35.⁸¹ **Based on experts' estimate, 0.2 FTE are considered to be devoted to these tasks.**

Monetised values, based on Eurostat Earning Structure database per typical enterprise are shown in Exhibit 3.1 below.

Exhibit 3.1 Unitary Labour Costs for DOP and CE Marking, Including Drafting, Supplying and Storing

	Technician	Clerk	Salary: Technician	Salary: Clerk	Total Costs
<i>Typical Micro</i>	0.2 FTE	-	€ 37,100	€ 29,100	€ 7,400
<i>Typical Small</i>	0.2 FTE	0.8 FTE			€ 30,700
<i>Typical Medium-Large</i>	0.5 FTE	1.5 FTE			€ 62,200

Source: Interviews with firm and Eurostat Earnings Structure⁸²

2. Out-of-pocket costs for buying standards. The costs incurred to buy European **Standards where provided by 12 companies and range from €80 to €40,000 per year.**⁸³ The costs vary depending on whether the company buys only hEN, or rather a subscription from a standardisation body or private service provider for both access to standards and other tailored services. Excluding companies with special subscriptions, 9 data points **remain, ranging between €80 to €4000, with a median value amounting to €1,000.** The latter is considered the typical cost.
3. Other costs linked to the DOP and the CE marking. Two kinds of costs were investigated: (i) the costs linked to supplying the DOP and the CE marking to customers; and (ii) other administrative costs. As for the former, 10 data points are available, ranging **from €100 to €30,000, with a mean and a median amounting to €9,200 and €6,000 respectively.** Again, costs are not correlated to firm size. The median, i.e. € 6,000 per year,

⁷⁹ This section deals with administrative costs. Substantive costs, i.e. those linked to the ITT and the AVCP system, are considered below in Sections 3.2.5.

⁸⁰ Details of the calculation and the cost parameters are provided in Section 2.6 of Annex III.

⁸¹ Statistics on the firm size distribution are available at NACE 3-digit level, while some of the sectors included in the definition are at NACE 4-digit level; as an approximation, the share of micro, small, medium, and large companies in the corresponding NACE 3-digit group was used.

⁸² Earnings refer to 2010 data for EU28, inclusive of 25% overheads; annual salaries are calculated based on 200 working days per year and 8 working hours per day.

⁸³ From a supply-side perspective, a typical price to access hEN cannot be identified, as it depends on various factors: access to electronic or paper version, additional services associated with the purchase of the document, size of the document, country of establishment, market demand for a specific hEN, translation costs. CEN provides a guidance on standard prices, but no price list or binding rules.

is considered as the typical cost. As for the latter costs, only three companies reported other expenses, such as the cost of familiarisation, the cost of setting up a website, or the cost of buying new labelling machines. Given that most of the respondents did not mention **these costs, the typical value is assumed to be €0.**

To estimate administrative burdens, the BAU factor needs to be determined. Two preliminary considerations are made: (i) product manufacturers would inform customers of the performance of their product even without the CPR; and (ii) the prescribed tools, i.e. the DOP and the CE marking, are made necessary by the CPR. Since these two considerations lead to inconsistent conclusions, the Consultants asked companies, trade associations, and other stakeholders about the commercial value of the DOP, both through the interviews and the surveys.

The distribution of opinions is quite different across the two groups: for firms, the modal answer is **'to a high extent', selected by two thirds of the respondents. Still, opinions from interviews are quite polarised: one respondent mentioned that the DOP and the CE marking are 'very important, because they convey information about the quality of the product'; another considered 'a big mistake to think of the DOP as useful for the user: it is a legal requirement and no customer asks for it; most customers, including professionals, would not even understand its content'.** For trade associations and other stakeholders, the modal answer is **'to a limited extent' – two ladders below –, selected by more than 40% of respondents. One association commented that 'the DOP includes what the legislators consider relevant, and not what customers need or want, as confirmed by contractors'**.⁸⁴ Split views on this issue were also reported at the Validation Workshop and in follow-up stakeholder contributions. To the contrary, respondents to the OPC expressed a more positive opinion on the usefulness of the DOP, though professionals had a less positive view compared to public authorities and citizens. Given the diverse range of opinions collected during the Study, the BAU factor is calculated by applying quantitative weights to the qualitative answers provided via interviews with companies and stakeholders.⁸⁵ The BAU factor would amount to **64% based on firms' answers, and to 36% on trade associations'.** And given that answers from trade associations and other stakeholders are more representative of the diverse construction product industries, also including SME and non-exporting companies, the BAU factor is estimated at 40%. Based on these parameters, the administrative costs and savings due to the obligation of providing information to customers (including the DOP and the CE marking) are shown in Exhibit 3.2.

Exhibit 3.2 Unit Administrative Costs and Cost Savings Linked to the Obligation of Providing Information to Customers (Including DOP and the CE Marking)

Type of Enterprise	Labour Costs	Access to hEN	Costs for supplying DOP and CE marking	Other costs	Total Costs	Administrative burdens
Typical Micro	€ 7,400	€ 1,000	€ 6,000	-	€ 14,400	€ 8,700
Typical Small	€ 38,500				€ 45,500	€ 27,300
Typical Medium-Large	€ 78,300				€ 85,300	€ 51,200

Source: Authors' own elaboration

Based on the sector definition, as described in Annex II, the number of enterprises operating in 2013 is estimated at 245,300. According to Eurostat data, the share of medium and large enterprises can be estimated at 3.7%, the share of small enterprises at 12.6%, and the share of micro enterprises at 83.7%.⁸⁶ Based on these parameters, the **total administrative burdens for the EU28 in 2014 can be estimated at € 3.1 bln.** This amount accounts for **1.1% of the sectoral turnover**.⁸⁷

⁸⁴ A contractor association claimed that its members have **'extreme views'** about the usefulness of the DOP, being **'very useful for someone, completely useless for others'**. In any case, **'the choice of construction products is based on trust and long-standing relations, rather than on CPR-linked information'**.

⁸⁵ Quantitative weights are as follows: (i) not at all = BAU factor 0%; (ii) to a limited extent: BAU factor 25%; (iii) to a significant extent: BAU factor 50%; and (iv) to a high extent: BAU factor = 75%

⁸⁶ See note 81 above.

⁸⁷ Source for turnover: Eurostat SBS.

Cost differential between the CPR and the CPD. The possible cost differentials are the following:

1. Change in the number of employees working on the DOP and the CE marking. Thirteen companies provided information on this possible cost differential, with 10 indicating that no change occurred. Differently, three companies reported an increase in the workforce, with 2 quantifying the increase (+5% and +20% respectively). According to these data points, the typical company is estimated not to have increased the number of employees working on the DOP and the CE marking after the introduction of the CPR.
2. Other one-off costs, related to the DOP or the CE marking. First of all, the costs for supplying the DOP only relate to the CPR, as the CPD did not provide for this obligation. **Hence, these costs, amounting to € 6,000 as shown in Exhibit 3.2 above, are considered as CPR-specific costs.** As for other one-off costs, data provided mixed evidence. 6 out of 12 companies reported to have incurred other one-off costs related to the CPR, while according to trade associations and other stakeholders, 72% of the companies incurred some one-off costs. The magnitude of one-off expenses may be significant, ranging from several **thousand € to more than one-hundred thousand €.** In general, large companies report higher costs. Based on the information retrieved from both the interviews and the survey, the following estimates are made: 30% of the companies did not incur other one-off costs after the introduction of the CPR, while 70% did. The estimate is in line with previous evidence: according to the RPA Study, more than half of the surveyed companies had to adapt their internal system, e.g. by updating the IT systems, databases, websites, or preparing and translating DOP.⁸⁸ **As a result, the cost differential is estimated at €3,000 for SME and €10,000 for large enterprises.**⁸⁹
3. Change in the population of companies subject to CE marking obligations (relevant in the MS in which it was not mandatory). Out of the 17 companies interviewed, 5 were based in a MS in which the CE marking was not mandatory; in all cases, products these companies CE marked their products for business reasons also before the introduction of the CPR. The issue was further investigated with EU and sectoral trade associations, and the result was largely confirmed, with the exception of specific sectors and/or products (e.g. aggregates). Based on this information, the share of companies which CE-marked their products only after the introduction of the CPR is estimated at 20% of the enterprises in Finland, Ireland, Sweden, and the UK.
4. Change in the number, frequency of updates, and/or burdensomeness of the DOP and the CE mark. 13 companies provided information on this cost differential, with 7 reporting no change between the CPR and the CPD, and 6 indicating changes. However, in two cases changes are specific to the European Organisation for Technical Assessment (EOTA) route, which is discussed more in detail in Box 2.2 below. Only one company quantified the additional burden, amounting to 10%. For these reasons, this differential is **conservatively costed at € 0 for the typical company.**

Diachronic analysis. In Exhibit 3.3 below, the total administrative burdens and burden savings generated by the CPD/CPR obligation of providing information to customers (including the AOC, the DOP and the CE marking) for the period 2004-2014 are reported.⁹⁰

⁸⁸ Cf. RPA Study.

⁸⁹ The UK IA study estimated one-off costs at £ 4,000 / € 4,490. The RPA Study includes some case-specific estimates, though related to the whole transition from the CPD to the CPR, and not specifically to the changes related to the DOP and the CE marking. In particular, a UK company operating in the pavement sector spent **about €270,000 for the CE marking, including testing, Factory Production Control (FPC), drawing of a DOP and labelling and packaging adjustments;** on a different note, Irish notified bodies suggested that the costs **for steel product manufacturers are likely to be in the range of €8,000 - €15,000. Importantly, these data include the ITT and the AVCP costs.**

⁹⁰ Annual costs costs deflated through the price index for construction inputs (Eurostat). The following assumptions are made. (i) Number of companies: baseline data are taken from Eurostat SBS, as presented

Exhibit 3.3 Administrative Burdens (in €) Linked to the Obligation of Providing Information to Customers (Including DOP and the CE Marking): 2004 – 2014, one-off Costs Excluded⁹¹

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Total burdens</i>	1.1 bln	1.2 bln	1.3 bln	1.6 bln	1.6 bln	1.6 bln	1.6 bln	1.7 bln	1.6 bln	3.1 bln	3.1 bln
<i>Micro</i>	0.4 bln	0.5 bln	0.5 bln	0.6 bln	0.6 bln	0.6 bln	0.6 bln	0.6 bln	0.6 bln	1.8 bln	1.8 bln
<i>Small</i>	0.4 bln	0.5 bln	0.5 bln	0.6 bln	0.6 bln	0.6 bln	0.6 bln	0.7 bln	0.7 bln	0.8 bln	0.8 bln
<i>Medium&Large</i>	0.3 bln	0.3 bln	0.3 bln	0.4 bln	0.4 bln	0.4 bln	0.4 bln	0.4 bln	0.4 bln	0.5 bln	0.5 bln
<i>% Turnover</i>	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	1.1%	1.1%

Source: Authors' own elaboration

3.2.4 Administrative Cost Savings Linked to the Possibility of Derogating from the Declaration of Performance and/or Posting the Declaration of Performance Online

In this section, the administrative cost savings linked to the possibility of derogating from the DOP and/or posting the DOP online are discussed. These savings are related to: (i) the issuance of the *DOP via electronic means* (eDOP); and (ii) *art. 5 derogations* from the obligation to issue a DOP.

Provision of the eDOP. Differently from the findings of the RPA Study, *most of interviewees declared that they provide only the eDOP. Survey data also show that the eDOP is largely used by product manufacturers, as claimed by more than 70% of respondents.* Among the 13 companies that provided an answer, only one did not opt for the eDOP, and three firms supply both the eDOP and the paper version. Concerning the acceptance of the eDOP, all respondents reported that no problem was encountered with their customers. The widespread use of eDOP was further confirmed at the Validation Workshop and by follow-up stakeholder contributions.

The information on the cost savings due to eDOP is scarce, mainly because very few of the companies which were interviewed still rely on the paper version. *All interviewees using the eDOP considered it cheaper or much cheaper than the paper version.* Two firms were able to quantify savings, with one medium-sized company estimating them at €100,000, and a large company estimated at about 50% of the DOP supplying costs. However, quantitative data points are too thin to extrapolate results to the entire firm population. If the 50% saving, which are already accounted for in the figures presented in Exhibit 3.3, was representative of the typical firm, **annual savings for the firm population would amount to €1.4 bln compared to a situation in which the DOP were to be submitted mandatorily as a paper document.**

in Annex II. The share of large enterprises is assumed to amount to 0.47%, based on Eurostat SBS. For the period 2004-2012, 20% of the companies in FI, IE, SE, and the UK are assumed not to have incurred CE marking costs. RO and BG companies are considered from 2008 onwards, HR companies from 2013 onwards. (ii) Annual costs. As discussed in this section, the cost estimates retrieved from companies refer to the most recent situation, i.e. to 2014. Since the collection of cost data referring to the whole period was unfeasible, information on time trends in general, and in particular on cost differentials between the CPR and the CPD, was collected from companies. As already reported, data concur that the workload was quite stable across the whole period. The introduction of the CPR brought about changes, in particular in the content of the DOP (compared to the AOC), and with regard to the duty to supply the DOP to customers. While the former is one-off cost that is discussed further below, the additional costs for providing the DOP (€6,000 per year, as estimated above) are considered from 2013 onwards. For previous years, in the absence of major regulatory-driven changes, costs are deflated through the price index for construction inputs (Eurostat).

⁹¹ Exhibit 3.3 does not include one-off costs incurred by companies because of the transition from the CPD to the CPR, i.e. in 2013. As discussed above, these costs are estimated at €3,000 for small companies and €10,000 for large companies, assuming that 30% of the companies incurred in no one-off costs. One-off costs would amount to €522 mln for the whole sector, annualised over the years 2013 and 2014, as shown in the final quantification in Exhibit 3.4 below.

Art. 5 derogations. Through the survey, stakeholders were first asked whether art. 5 derogations apply to companies in their sector, and 36% of respondents replied that this was not the case. Among the 16 respondents for which art. 5 derogations were relevant, most of them (63%) replied that they knew of no cases in which these derogations were resorted to; five respondents mentioned that this derogation is used for products manufactured on the construction site; and only one for traditionally manufactured products. The limited use of art 5 derogations and possible problems with the clarity of this article were confirmed by stakeholders during the Validation Workshop and via follow-up contributions.

3.2.5 Administrative Cost Savings due to the Easier Accessibility of Information Through the Product Contact Points for Construction

The PCPC were introduced by the CPR to reduce the burdens for companies to familiarise with construction product and building legislation in other EU MS. Requests to PCPC may save: (i) internal work, i.e. the time needed to familiarise with unknown or uncertain legal provisions, and retrieve information from national and local authorities; and (ii) external costs, i.e. when consultants are resorted to provide information on unknown or uncertain legal provisions. Companies are likely to use PCPC for small- or medium-complexity requests; for very complex issues, a company is likely to resort to its own internal resources or to external consultants in any case. The time-saved for each request is based on Consultants' expert assessment; the degree of complexities of the various requests to PCPC is assumed over three different scenarios.

Based on the number of requests as extrapolated from the RPA Study, the average hourly salary rate for a technician inclusive of overheads (€23.2, source: Eurostat Earnings Statistics), the time-saved per request and the scenarios, the range of *administrative cost savings linked to the use of the PCPC then range between € 760,000 and € 1.2 mln.*⁹²

3.2.6 Substantive Costs and Cost Savings linked to the Obligation for Manufacturers to Put in Place Factory Production Controls and to Have an AVCP Performed

In this section, the costs due to the obligations linked to the AVCP system, including Initial Type Testing (ITT) and Factory Production Control (FPC), are assessed. The data points to estimate this cost item are extremely variable across the firm population, preventing the identification of typical cost parameters.⁹³ However, this is of limited relevance to the analysis once the BAU factor is taken into account. Opinions on the BAU factor are extremely consistent, as all interviewed companies reported that *most or all costs incurred for the AVCP, including initial testing, ongoing testing, and other FPC measures, would be incurred in any case because of quality management and to provide information on product performance to customers.*⁹⁴ In particular:

1. Declaring the product performance (even with tools different from the DOP and the CE marking) requires some form of initial testing;
2. Ensuring quality production requires ongoing testing and other quality management processes, that is FPC, tools and equipment.

All in all, the Consultants suggest considering the obligation for manufacturers to put in place factory production controls and to have an AVCP performed as a BAU-activity, i.e. *the BAU factor amounts to 100%*. When confronted with this hypothesis in the interviews, most of the companies and stakeholder associations interviewed agreed, while few others suggested that some costs should still be considered as regulation-driven. However, the elements to identify this small share of non-BAU costs are not sufficiently consistent across the population to provide a reasonable estimate.

⁹² Details of the calculation and the cost parameters are provided in Section 2.8 of Annex III.

⁹³ Retrieved data points are described in Section 2.9 of Annex III.

⁹⁴ This hypothesis may not be entirely true for small operators in certain sub-sectors, i.e. those selling simple products in local markets, where past business relationships make the provision of technical information less crucial.

Cost differential between the CPR and the CPD. To estimate the cost differentials between the CPR and the CPD for this item, interviewees were asked whether testing or FPC costs changed after the adoption of the CPR. All interviewed companies reported that neither testing nor FPC costs were modified by the introduction of the CPR.

3.2.7 Substantive Cost Savings due to the Simplification of the Procedures for the Testing of Products and for the Assessment and Verification of Constancy of Performance for Micro-Enterprises

Under this section, substantive cost savings linked to the simplification of the testing procedures and the AVCP for micro-enterprises are discussed, in particular: (i) *test-sharing and cascading* (art. 36 CPR); (ii) *the opportunity for micro-enterprises to use a simplified AVCP* (art. 37 CPR); and (iii) *the use of specific technical documentation in place of the AVCP for individually manufactured or custom-made products* (art. 38 CPR). Based in the RPA Study, the uptake of these provisions is considered low. To assess this regulatory effect, questions about the uptake and savings linked to art. 36 to 38 were introduced into the questionnaire targeted at trade associations and other stakeholders. **The main and consistent result is that 'no uptake' is the modal answer for all three kinds of simplifications**, hence confirming RPA results,

More in detail, *the uptake of art. 36 testing simplifications, including test-sharing and cascading, was higher than that estimated by the RPA Study*, as 57% of surveyed stakeholders reported some uptake among their associates.⁹⁵ While most of the stakeholders pointed out, qualitatively speaking, that *art. 36 simplifications did generate cost savings*, no quantitative estimates could be provided, as no company within our sample did make use of this simplification. The uptake of art. 37 and 38 simplifications remained very limited, also because only relevant to specific sectors or products.⁹⁶ As a result, art. 37 and 38 are not currently generating significant savings. Detailed results on the uptake are shown in Exhibit 3.4 below.

Exhibit 3.4 Uptake of CPR Testing Simplifications

	Art. 36	Art. 37	Art.38
<i>Respondents</i>	21	22	21
<i>Not relevant</i>	-	45.5%	67%
<i>No uptake</i>	43%	45.5%	19%
<i>Limited uptake</i>	38%	9%	9%
<i>Some uptake</i>	19%	0%	5%
<i>High uptake</i>	0%	0%	0%

Source: Online stakeholder survey

3.2.8 Benefits from the Construction Products Directive and Regulation

Retrieving from companies and stakeholder associations *quantitative estimates on the benefits linked to the CPD/CPR proved unfeasible*. Indeed, this would have required a different methodology establishing a counterfactual that considered what would happen without the EU framework. Consultants attempted to retrieve fact-based information on how the situation was before the implementation **of the CPD, but companies did not have any 'institutional memory'** about the situation prevailing back in the 1980's, **and even in countries where CE marking was not mandatory** before the introduction of CPR, no useful information could be retrieved. Here as follows, a qualitative analysis of the main regulatory benefits brought about by the CPR/CPD framework is provided.

⁹⁵ This was confirmed by stakeholders at the Validation Workshop and via follow-up contributions; it was also mentioned that in certain markets (e.g. fenestration products), art. 36 provisions are successfully used and considered very important by companies.

⁹⁶ This was also confirmed by respondents to the OPC and by stakeholders providing written contribution after the Validation Workshop. An exception is manufacturers of aluminium products, in particular for the fenestration markets, which reportedly use the simplified AVCP system allowed for SME by art. 37.

First of all, two preliminary considerations are worth discussing. In general, **stakeholders' attitude towards the CPR is positive**. True, the transition was not perfect, especially with respect to the definition of the content, layout and format of the DOP. At the same time, the legal clarity of certain new provisions and on their application modalities by national authorities is still to be improved, while complains remain about the smooth working of standardisation process with respect to the publication of standards by the Commission. However, in general the stakeholders show confidence in the legal framework, and in the quality and usability of hEN. Furthermore, **two years after the take up, most of companies have now 'digested' the new framework, and carried out the necessary training and upgrading of the IT system**. Reservations were made by two German stakeholder associations in relation to the recent CJEU case⁹⁷ and its impact on national norms and standards; however, other German manufacturers' associations pointed out that the very same judgment reduced compliance and administrative costs for their members, for about **€4 mln per year**.⁹⁸ All in all, this kind of complains remain limited to one MS, hence they can hardly be framed as a pan-EU regulatory hurdle.

The generally positive attitude also depends on the 'comparator' which companies have in mind when providing their assessment of the CPR. Even absent a EU framework, *manufacturers should measure and declare the performance of their work according to national legislation and standards*. Obviously, it remains impossible to determine whether national legislation and procedures would be more or less burdensome than the EU framework, but the situation is very different when compared to other piece of legislation, when the EU intervention is perceived by stakeholders as additional – as opposed as to substitutive – to national norms.

Benefits due to the CPR may fall either directly on product manufacturers, or indirectly on customers and the society at large. The following types of benefits have been considered, identifying where they fall upon:

1. Free movement of construction products within the Single Market. Obviously, this is the first and foremost outcome of the CPR, which should result in impacts such as lower price and better quality for customers on one side, and new market opportunities for manufacturers; furthermore, from a societal perspective, this should trigger more competition among manufacturers, thus higher productivity in the long-term. Unfortunately, no findings could be retrieved to confirm this hypothesis. CPR benefits, beyond the – so far – limited increase in trade flows could potentially profit contractors and investors/owners (through the diversified supply on local markets). However, the 2014 'Cecchini revisited' Report concluded that "trade in harmonised construction materials increased by 0.044% after establishment of CPR in the short run."⁹⁹ Therefore, it is reasonable to conclude that CPR effects on trade have not translated into significant benefits for the rest of the construction value chain, beyond manufacturers. Answers collected during the interviews, the OPC, the Validation Workshop, and follow-up contributions concurred that other drivers are significantly more important in shaping the EU Single Market for construction products. In particular, the tradability of many construction products is limited, given the low value-to-weight ratio. Though some products (e.g. wall tiles) or some niche specifications do travel the Single Market, in most cases transport costs offset any benefit from buying in another MS. Even construction companies operating abroad¹⁰⁰ **largely rely on local suppliers. Secondly, in contractors' purchasing choices, existing business relationships and trust reportedly matter more than the declaration of the product performance required under the CPR framework**. Finally, as already discussed, the regulatory framework is too old to retrieve fact-based data and information from companies about benefits due to the additional use of foreign suppliers after the introduction of EU rules in the construction product market. All in all, additional circulation of construction products is likely to be low for most of market segments, though

⁹⁷ Cf. Section 4.2.1 below.

⁹⁸ Cf. Section 4.2.3 below.

⁹⁹ Rand Europe (2014), The Cost of Non-Europe in the Single Market, Free Movement of Goods, Study for the European Parliament.

¹⁰⁰ Which indeed represents a small share of the total, see Section A.6.3 below.

positive for the ones whose products have a higher tradability; in any case, even for tradable products, CPR information cannot be expected to be among the main market drivers.

2. Harmonisation. Another classical effect of Single Market legislation is that multinational manufacturing companies have to comply with the same, or similar, requirements, **throughout the EU, thus enjoying 'regulatory economies of scale'**. This was confirmed by interviewees, which in many cases handle part of the compliance with CPR – especially the drafting of the DOP and the management of the IT system – at headquarter level, thus reducing costs. At the same time, product specifications also vary from country to country for non-regulatory reasons, and this reduce the potential savings linked to harmonisation. A recent testbed for these benefits was the removal
3. Provisions of information. Findings on the value of the information provided, both for manufacturers and customers, because of the CPR framework remains inconclusive. As already anticipated in the analysis above, product manufacturers perceive a large chunk of CPR regulatory obligations as BAU, because customers would need to know and trust the performance of construction products even absent any (EU) regulatory framework. However, both manufacturers and customers point out that the information provided in the DOP goes beyond what would be necessary. They both agree on the fact that most of the information on product performance also travels via other channels, including, most importantly, existing building relations.
4. Simplification. Another expected outcome of the CPR was the ease reduction of burdens on manufacturing companies, especially SME. Here, as already discussed in the analysis above, findings are yet interlocutory. Companies did appreciate the possibility of opting for the eDOP, though they were not able to put a price on this saving. With respect to other derogations and simplifications, their take-up is still limited, except for the possibility to use test-sharing and test-cascading. Here, issue of legal certainty still prevent the achievement of their full potential.
5. Sustainability. Another innovation introduced by the CPR is Basic Requirement 7, **'Sustainable use of natural resources'**; however, it is too early to meaningfully assess any impact. Previously, the CPD did not cover the performance of construction products with respect to the use and consumption of natural resources in buildings and did not provide a common language and parameters to measure reuse, recyclability, durability, or the use of environmentally compatible raw and secondary materials. Basic Requirement 7 is an enabling provision, allowing manufacturers to declare the **'environmental performance'** of their products in the DOP and in the CE marking. However, to become operational the provision requires the adoption of the relevant standards, so that hEN for construction products also include measurement methodologies for the environmental performance. To date, no hEN has reportedly included Basic Requirement 7.¹⁰¹ Currently, part of the industry is using the standard EN 1580413 as a voluntary method to provide environmental information to customers and further work is being carried out within CEN Technical Committee 350.¹⁰² As a result, the new CPR provision is not yet producing any effect and has not triggered an improvement in the sustainability of the sector. A stakeholder pointed out that the framework, when operational, could provide **'critical environmental performance information, which could be used for a better and more sustainable construction and operation of the building, and to perform carbon management or environmental risk assessment'**.

¹⁰¹ RPA Study, at p. 134.

¹⁰² CPE Position Paper, at p. 27-28.

3.2.9 Conclusions

Based on the SCM and CCA methodology, hence on data retrieved from the firms interviewed and the **Consultants' analysis, the costs and cost savings generated by the CPD/CPR are summarised** here below in Exhibit 3.5.¹⁰³ The quantification is in line with qualitative findings, which point out that the main incremental costs linked to the CPR were linked to the supply of the DOP, while substantive costs linked to testing and quality control mechanisms are largely considered as BAU.

Exhibit 3.5 CPR/CPD: Summary of Costs (Positive Values) and Cost Savings (Negative Values) (€ mln)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administrative burdens/burden savings linked to the obligation of providing information to customers (including the DOP and the CE marking)	1,100	1,200	1,300	1,600	1,600	1,600	1,600	1,700	1,600	3,100	3,100
One off-costs linked to transition to the CPR	-	-	-	-	-	-	-	-	-	300	300
Administrative cost savings linked to the possibility of derogating from the DOP and posting the DOP online	-	-	-	-	-	-	-	-	-	(-1,500)*	(-1,500)*
Administrative cost savings due to the easier accessibility of information through the PCPC	-	-	-	-	-	-	-	-	-	-1	-1
Substantive burdens/burden savings linked to the obligation for manufacturers to put in place an AVCP system	0	0	0	0	0	0	0	0	0	0	0
Substantive cost savings due to the simplification of the procedures for the testing of products and for the AVCP (art. 36)	-	-	-	-	-	-	-	-	-	n.a.	n.a.
Substantive cost savings due to the simplification of procedures for the testing of products and for the AVCP (art. 37-38)	-	-	-	-	-	-	-	-	-	0	0
Total	1,100	1,200	1,300	1,600	1,600	1,600	1,600	1,700	1,600	3,400	3,400
Share over Turnover	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	1.1%	1.1%

* Savings already accounted for in the item above. **Source: Authors' own elaboration over data from interviews and online stakeholder survey**

In the IA Background Study¹⁰⁴ (at p. 41), costs for various sectors were estimated at between 0% and 0.9% of total turnover. As shown in Exhibit 3.4, data for 2006 (as the IA Background Study

¹⁰³ The analysis is sensitive to certain parameters. Concerning the population of companies subject to the CPD/CPR, on the one hand the number risks being overestimated, as the enterprises included within the NACE sector covered by the sectoral definition are also likely to include companies with 1 to 4 employees, which are unlikely to manufacture products on their own and thus to comply with CPR. On the other, however, the estimates do not cover many other NACE sectors, which are not sufficiently homogeneous to be **considered as part of the 'construction product sector', but which are subject to these requirements.** Moreover, the estimates are likely to underrepresent the benefits arising from art. 36, for which no quantitative estimates could be retrieved or inferred from the companies interviewed. At the same time, the **estimates are based on the assumption of a '100% BAU Factor' for AVCP procedures, which may prove slightly over-optimistic, but for which no sufficiently granular information to disentangle the share of regulatory burdens could be collected.**

¹⁰⁴ PRC (2007), Study to evaluate the Internal Market and Competitiveness Effects of Council Directive 89/106/EEC, Final Report to DG Enterprise and Industry of the European Commission,

dates back to 2007) are in line with those estimates. However, the methodology adopted is different and data are not directly comparable: the IA background study adopted a counterfactual *ex ante* methodology attempting to measure the additional cost compared to a counterfactual baseline in which no CPD/CPR is adopted; differently, this Study factually measures costs effectively borne by manufacturers over the 2004-2014 period.

Concerning the attribution of effects to the various government tiers, all cost and saving items – excluding BAU costs – quantified in this section are of EU origin.¹⁰⁵ This holds even more true for the period following the introduction of the CPR: differently from the CPD, the legal framework is now based on a Regulation, without an opt-out clause for MS intending not to impose CE marking obligations. MS authorities and public administrations clearly have an impact on costs, being the enforcement authorities; however, enforcement practices are not relevant to this analysis of regulatory costs.

3.3 Business Opportunities, Costs, and Cost Savings of the Professional Qualifications Directive¹⁰⁶

3.3.1 Introduction

The Professional Qualifications Directive (PQD) aims at facilitating the mobility of professionals and craftsmen and the intra-EU trade in services. This objective is to ensure that EU professionals may enjoy both the freedom of establishment, and the freedom to provide professional services in another MS on a temporary basis. To this purpose, the PQD establishes different frameworks. For the freedom of establishment, the PQD consolidates three recognition regimes:

1. The *automatic recognition system based on harmonised minimum training requirements*, currently applicable i.a. for architects.
2. The *automatic recognition system based on professional experience*, currently applicable for certain craft activities
3. The *general system*, applicable to all professions not covered by specific rules and to professionals that do not meet the conditions of the other recognition systems, i.a. engineers, architects whose title is not included in Annex V to the PQD, and craftsmen without sufficient working experience to access the automatic recognition system

As for temporary service provision ('temporary mobility'), the PQD prescribes that the host MS may only require incoming professionals and craftsmen a yearly declaration including details of insurance cover, nationality and professional qualifications. It may also conduct a prior check of these qualifications when the profession has public health and safety implications and is not subject to automatic recognition. This regime did not pre-exist the PQD.

In this section, the regulatory effects of the PQD in terms of new business opportunities, administrative costs, and cost savings are assessed.¹⁰⁷ The exercise is based on the following sources:

1. Primary information obtained through interviews with professionals;
2. Primary information obtained through interviews with trade associations, public authorities and other stakeholders;
3. Primary information obtained through an e-mail survey targeted at national Chambers of Architects to retrieve cost parameters for carrying out the cost and cost savings assessment linked to the recognition process;

¹⁰⁵ Such a conclusion applies to the current state of the world. In the absence of EU provisions, costs would not 'disappear', as national or local rules would replace them, as was the case before the adoption of the CPD. However, fact-based information on the costs or benefits of separate national regulations could not be retrieved, since the current legal framework dates back, in its main elements, to the early Nineties. As a result, companies and other stakeholders have little or no memories of the previous situation

¹⁰⁶ This Section summarizes the key results of a more detailed analysis presented in Volume 2, Annex III, Section 3.

¹⁰⁷ Cf. Section A.1 above for the full list of regulatory effects.

4. The Regulated Professions Database (RPD)¹⁰⁸ published by the European Commission, including legal information about whether a profession is regulated and in which MS, and the number of successful, unsuccessful and pending applications for establishment or temporary mobility.¹⁰⁹
5. Other secondary sources, including the IA,¹¹⁰ the PQD Evaluation,¹¹¹ and the mutual evaluation reports¹¹².

Box 3.1 Number of professionals and craftsmen included in the RPD

The RPD includes data submitted by MS, which retain responsibility for the quality, accuracy and responsiveness of the available information. To make it explicit, the Commission has introduced a disclaimer **in the RPD, stating that “[t]he database contains information on regulated professions, statistics on migrating professionals, contact points and competent authorities, as provided by EU MS, EEA countries and Switzerland. Each country is responsible for updating information, on its regulated professions, competent authorities and statistics.”**

The relevant Commission services have raised doubts regarding the comprehensiveness of the RPD, which may result in an underestimation of cross-border mobility. The Consultants were not in the position to verify the figures included in the RPD for each MS and profession. However, the information retrieved from the PQD was validated, where possible, via secondary sources and interviews. While discrepancies may remain between the number of accepted demands and the number of professionals and craftsmen establishing abroad or providing temporary services cross-border, the information obtained from other sources suggests that, whatever the gaps in the database, they are unlikely to alter the overall picture of limited cross-border mobility.

Obviously, the RPD does not account for professionals and craftsmen moving to a MS in which a certain profession or craft is not regulated. However, professionals and craftsmen moving towards these MS do not pass through the mechanisms of the PQD, as the recognition of professional qualifications is not necessary therein. Hence, the PQD can be neither attributed administrative costs or burdens falling upon these professionals and craftsmen, nor benefits because of their mobility. In brief, professionals and craftsmen moving towards MS where a profession or craft is not regulated are not relevant for the analysis of the economic effects of the PQD. This also means that the description of the main trends in cross-border mobility in the construction sector (reported in Section 3.2 below) does not account for the whole number of flows, but only for those that go through the PQD mechanisms.

The analysis focuses on the most-mobile construction professions and crafts: (i) architects; (ii) engineers, including both civil and building ones; (iii) electricians (iv) masons, bricklayers, painters, and decorators.¹¹³

¹⁰⁸ http://ec.europa.eu/internal_market/qualifications/regprof/ (last accessed on March 2016).

¹⁰⁹ Data were retrieved from the RPD in November 2015.

¹¹⁰ Commission Staff Working Paper, IA, Accompanying document to the Proposal for a Directive of the European Parliament and of the Council amending Directive 2005/36/EC on the recognition of professional qualifications and Regulation on administrative cooperation through the Internal Market Information System, SEC(2011)1558.

¹¹¹ European Commission (2011), Evaluation of the Professional Qualifications Directive, Brussels, **05.07.2011. Hereinafter ‘PQD Evaluation’.**

¹¹² Directorate General for Internal Market, Industry, Entrepreneurship and SME E/5 (2015), Mutual evaluation of regulated professions: Overview of the regulatory framework in the business services sector by using the example of architects Report based on information transmitted by MS and on the meeting of 30th September 2014.; and cf. Directorate General for Internal Market, Industry, Entrepreneurship and SME E/5 (2015), Mutual evaluation of regulated professions Overview of the regulatory framework in the construction sector by using the example of civil engineers Report based on information transmitted by MS and on the meeting of 30 September 2014, at §2.

¹¹³ Description of the mobility flows of these professions is provided in Section 3.2 of Annex III.

3.3.2 Assessment of New Business Opportunities

Based on the data from the RPD, the new business opportunities created by the PQD for architects, engineers (both civil and building ones) and craftsmen (electricians, masons, bricklayers, painters, and decorators) were assessed.¹¹⁴ The methodology adopted is based on the calculation of the added value generated by professionals and craftsmen moving abroad. In particular, the Consultants attempted to identify the *cross-border added value*, i.e. the supplementary added value generated by the professionals or craftsmen moving to another country compared to the one that they would have generated by remaining in their home MS. The cross-border added value is calculated as follows:

1. The *full added value* generated by the share of moving professionals and craftsmen corresponding to the unemployment rate;
2. The *differential added value* generated by the complementary share of moving professionals.

As for the latter, the difference in added value per employee across pairs of MS and for each profession/craft was calculated based on the Eurostat SBS Database. This method enables to identify the additional productivity generated by professionals and craftsmen moving from a MS with a low average added value to a MS with a high average added value. Those flows account for most of, though not all, movements of professionals and craftsmen in the construction sector. For both architects and engineers, 60% of the movements go in this direction; for craftsmen, the share is significantly higher, that is 86% of the movements, implying that craftsmen are more likely to move for economic reasons. This also explains why the average differential added value **(2013) for craftsmen is higher, amounting to € 22,170 per moving worker, compared to €11,630 and €14,740** for architects and engineers respectively.

As for the former, when an unemployed professional or craftsman moves and works in another MS, the whole added value, and not only the differential one, is to be considered as cross-border added value. Unfortunately, data on unemployment rates per sector of activity are not available. For this reason, the Consultants have used the average EU unemployed rate in the 28 MS, weighted by the number of professionals and craftsmen in the construction sector moving from each MS.

Once the average added value per person employed is calculated for the three professions, the following assumptions are made to calculate the cross-border added value:¹¹⁵

1. For establishment, professionals and craftsmen established abroad in each year are assumed to remain abroad for the whole period, up until 2014. For instance, professionals and craftsmen established in 2004 create mobility added value for 11 years, while professionals and craftsmen established in 2010 create mobility added value for 5 years;
2. For temporary mobility, professionals and craftsmen operating abroad are assumed to create mobility added value for one year.

The added value generated by professionals and craftsmen moving abroad is then multiplied by the number of successful establishments cumulated over the period 2004-2014, given the assumption of non-return, and the number of successful demands for temporary mobility. Results are shown in Exhibit 3.6. The impact of the mobility of professionals and craftsmen, in any case, remains low, amounting in 2014 to 0.04% of the value added for engineering services, 0.4% for the four crafts considered, and 0.3% for architects.

¹¹⁴ Full details on the calculation and the assumptions are provided in Section 3.4 of Annex III.

¹¹⁵ These assumptions may have an impact on the robustness of the results. For example, these values may be overestimated if professionals and craftsmen established abroad return to the country of origin after a certain number of years (a period shorter than the one in scope of the analysis), or if temporary mobility concerns projects shorter than one year. At the same time, the values may be underestimated if professionals and craftsmen moving abroad generate an added value above the sector average (but no evidence could be found in this respect), or if temporary mobility concerns projects longer than one year. However, given the marginal share of cross-border added value over the sectoral added value, any refinement is unlikely to generate a significant effect on total results.

Exhibit 3.6 Mobility Added Value: 2004 - 2014

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Architects	Mobility Added Value (€mln)	0.1	4.2	8.2	22.0	39.8	43.5	50.2	53.2	60.6	64.6	60.4
	% over Sector Added Value	0.00%	0.02%	0.04%	0.10%	0.15%	0.19%	0.22%	0.24%	0.27%	0.29%	0.29%
Engineers	Mobility Added Value (€mln)	2.6	6.8	10.9	14.7	17.6	21.8	27.1	31.9	37.8	46.4	41.6
	% over Sector Added Value	0.00%	0.01%	0.01%	0.01%	0.02%	0.02%	0.03%	0.03%	0.03%	0.04%	0.04%
Masons, bricklayers, electricians, painters, and decorators	Mobility Added Value (€mln)	5.5	21.1	37.8	104.6	166.2	182.0	219.5	279.8	338.1	393.8	472.0
	% over Sector Added Value	0.01%	0.02%	0.03%	0.08%	0.12%	0.15%	0.18%	0.23%	0.28%	0.34%	0.41%

Source: Authors' own elaboration

3.3.3 Administrative Costs and Savings of Mobility

To assess the administrative costs and cost savings of professionals moving abroad, data were retrieved from **professional bodies members of the Architects' Council of Europe through a written survey** administered via e-mail, with the support of the Council itself.¹¹⁶ The information retrieved from the various recognition systems is described by the following statistics:

1. Automatic system. On average, professional bodies require 3.6 documents per application. Of these, on average one document shall be presented in original, and 1.5 **documents shall be translated by the applicant. Fees amount on average to €103 and the average lead time is estimated to be about 36 days;**
2. General system. On average, professional bodies require 4.1 documents per application. Of these, on average one document shall be presented in original, and 1.8 documents shall be translated by the applicant. **Fees amount on average to €103, and the average lead time is estimated to be about 45 days;**
3. Temporary mobility. On average, professional bodies require 3.7 documents per application. Of these, on average one document shall be presented in original, and 1.7 documents shall be translated by the applicant. **Fees amount on average to €20.**

Data retrieved via the survey was then transformed into cost and cost saving parameters by Consultants based on SCM standard assumptions (e.g. salary rate) market information (e.g. price **per sworn translation, tax stamps), and complementary experts' estimates derived from information retrieved from stakeholders and professionals (e.g. time for familiarisation):**

1. Automatic system. The familiarisation with the information obligation is estimated to require one person/day. The production of documents is estimated to require 2 hours per document, hence 7.2 hours in total. For translated documents, the cost is estimated at **€150. Tax stamps and costs of reproduction are estimated at €100. Fees, based on average values, are estimated at €103.**
2. General system. The familiarisation with the information obligation is estimated to require two person/days. The production of documents is estimated to require 2 hours per document, hence 8.2 hours in total. For translated documents, the cost is estimated at **€180. Tax stamps and costs of reproduction are estimated at €120. Fees, based on average values, are estimated at €103.**
3. Temporary mobility. The familiarisation with the information obligation is estimated to require one person/day. The production of documents is estimated to require 2 hours per document, hence 7.4 hours in total. For translated documents, the cost is estimate at **€170. Tax stamps and costs of reproduction are estimated at €100. Fees, based on average values, are estimated at €20.**

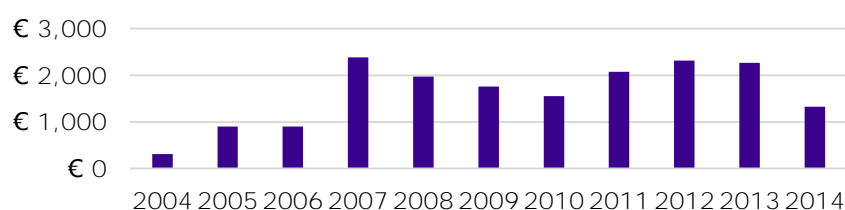
To monetize the time spent, the average hourly salary inclusive of overheads of € 16.90 (source:

¹¹⁶Architects were selected because they are the most mobile profession in the construction sector, and may undergo both the automatic and the general system. Ten professional bodies replied to the survey.

Eurostat) is used.¹¹⁷ Here below in Exhibit 3.7 the administrative burdens¹¹⁸ for the most significant construction professions and crafts are summarized.¹¹⁹ Estimates show that the burdens over the 2004-2014 period amount approximately to € 18 mln, i.e. a fraction of the estimated cross-border mobility added value.

Exhibit 3.7 Administrative Burdens Linked to the PQD (€ '000)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Architects	5	190	190	610	610	310	270	250	270	220	40	2,970
Engineers	140	220	220	160	110	240	200	210	230	280	40	2,050
Craftsmen	160	490	490	1,610	1,250	1,210	1,080	1,620	1,810	1,770	1,250	12,750
Total	310	900	900	2,380	1,970	1,760	1,550	2,070	2,320	2,270	1,330	17,760



Source: Authors' own elaboration

Here below, the administrative cost savings linked to the introduction of the PQD are estimated based on standard SCM assumptions, market information, and complementary experts' estimates derived from information retrieved from stakeholders and professionals.¹²⁰ Savings parameters are estimated as follows:

1. Automatic system. The professional/craftsman saves 0.5 person/days for familiarizing with the Information Obligation and 0.5 person/days in contacts with the public administration; furthermore, he/she saves €100 of out-of-pocket costs linked to a lower number of documents, including production of originals and certified/sworn translations;
2. General system. The professional/craftsman saves 1 person/days for familiarizing with the Information Obligation and 0.5 person/days in contacts with the public administration furthermore, he/she saves €150 of out-of-pocket costs linked to a lower number of documents, including production of originals and certified/sworn translations;
3. Temporary Mobility. Architects and craftsmen save the difference between the automatic system and the temporary application, that is about €80 of out-of-pocket costs and €83 of fees. Engineers save the difference between the costs for the general system and the temporary application, that is about one person/days €130 of out-of-pocket costs and €83 of fees.

To monetise working time, the average hourly salary inclusive of overheads of € 16.90 (source: Eurostat) is used.

Here below in Exhibit 3.8, administrative cost savings for the most significant professions and crafts are summarized. Data are provided for the period 2008-2014, i.e. following the date of transposition of the PQD.

¹¹⁷ This average value is considered as representative across the very diverse professions and crafts covered, also because professionals may delegate the tasks to an employee (e.g. an administrative assistant).

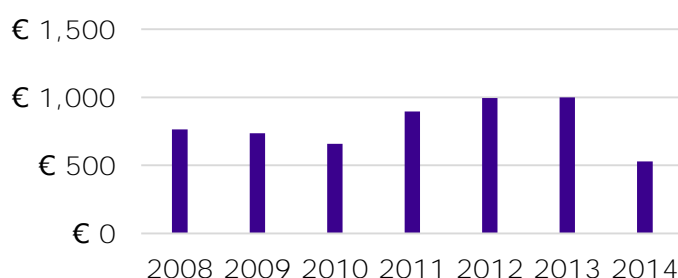
¹¹⁸ Administrative burdens equal administrative costs, as the BAU factor is assumed at 0%.

¹¹⁹ The costs are calculated over all accepted demands, distinguishing between those applying for establishment under the general or the automatic system, and those applying for temporary mobility.

¹²⁰ Importantly, those cost savings should not be subtracted from the costs described above, as they represent an estimate of the positive effect brought about by the consolidation of the system and the introduction of the temporary mobility regime. In simpler words, those costs are costs saved because of the simplification effect of the PQD.

Exhibit 3.8 Administrative Cost Savings Linked to the **PQD (€ '000)**

	2008	2009	2010	2011	2012	2013	2014	Total
<i>Architects</i>	236	117	102	94	102	85	15	750
<i>Engineers</i>	49	109	99	108	116	159	23	663
<i>Craftsmen</i>	481	510	457	693	778	756	491	4,166
<i>Total</i>	765	736	658	895	996	1,000	529	5,579



Source: Authors' own elaboration

3.3.4 Conclusions

Based on the quantification of costs and benefits described in the previous sections, the magnitude of the regulatory effects created by the PQD on the construction sector turns out to be small and unlikely to generate more than 0.5% of the sectoral added value for the categories concerned.¹²¹ The limited effects are mainly due to the number of construction professionals and craftsmen going abroad for permanent establishment or temporary mobility through the PQD mechanisms, which is very low compared to the size of the sector. This is in line with the qualitative feedback provided by stakeholders and secondary sources.

Box 3.2 Mobility of architects

Architects are the most mobile construction professions within the EU. However, in 2014, only 2.3% of architects worked or resided in a country different from the one in which they are mainly established, down from 7% in 2008. The fall, however, is not related to regulatory barriers to establish abroad, including the PQD, whose provisions for architects were largely left unchanged in this period – but to market developments.

Even considering architects who worked in whatever form – thus including cases not covered by the PQD – in another European country in the last 12 months, mobile architects only account for 5% of the sector. Only in small countries (e.g. Luxembourg, Slovenia, or Estonia), or in medium-to-small countries with larger neighbours speaking the same language (e.g. Austria, Belgium, or Ireland), the share is equal to or higher than 10%.

Source: Architects Council of Europe (2015), *The Architectural Profession in Europe 2014*

Interviews with stakeholders – including trade associations, professionals, as well as construction operators – showed clearly that most operators work abroad jointly with a local partner, rather than via the PQD mechanisms. Operators choose so for reasons of regulatory compliance, as the local partner is much better versed with the local building regulation and is already in line with qualification requirements, as well as for market reasons, because local partners have the specific knowledge of demand conditions and customer relationships. Construction professions and crafts are considered by stakeholders as mostly local activities, especially since infrastructure and civil engineering works are excluded from the scope of this Assignment.

¹²¹ This estimate relies on the quality and comprehensiveness of data included in the RPD database. However, given the estimated limited magnitude, large variation of data quality would not generate large impacts, when compared to the total sectoral added value.

In the few cases in which going abroad is 'worth the buck', regulatory requirements on professional qualifications are complied with through limited efforts and do not represent a major barrier. This is confirmed by the quantification provided, and by the opinions of the professionals interviewed, as a large share indicated that the complexity of the regulatory procedure in place is not a very important obstacle to the decision to operate abroad, and that the general assessment of the opportunities for cross-border mobility is positive or very positive. This consideration is largely shared by most professional associations. The situation is different for professionals and craftsmen covered by the general system, for which a more burdensome application and a lower rate of success reportedly still prevent a higher mobility.

Box 3.3 Mobility of professionals – Views from the OPC and other stakeholder contributions

The OPC findings confirm that the procedures for obtaining the recognition of professional qualifications in another MS became simpler over the past years. Qualitative answers to an open question stated that the PQD had indeed played a positive role in such a simplification. At the Validation Workshop, stakeholders also confirmed the limited share of professionals moving or providing services cross-border – in line with the figures presented in the analysis above -, and the limited relevance of regulatory barriers for cross-border professionals. Again, both at the workshop and in the follow-up contributions, a cleavage can be noticed between professions and crafts benefiting from the automatic system, and those having to undergo the general system. For the latter, differences in names of the professions, academic titles, and scopes of activity still negatively affect the potential mobility.

Source: OPC – Cf. Annex VII for more details; other stakeholder contributions.

In a nutshell, reducing regulatory barriers in this field would make the life easier and reduce costs for professionals moving abroad; at the same time, whether a reduction would have a noticeable impact on cross-border activities is unclear. In this regard, a special case should be mentioned, that is operators living in border regions, who are more likely to provide cross-border services, and hence are more largely impacted, in terms of both costs and benefits, by the regulatory framework, including the PQD.¹²²

The situation is more nuanced for craftsmen. Albeit the numbers extracted from the RPD are as low as, if not lower than, for professionals, some national trade associations mentioned an increasing inflow of foreign workers in sub-sectors characterized by lower skills, more limited capitals, and higher work intensity (e.g. masons, plasterers, tilers, painters). These flows are not always captured by the database, not tracking craftsmen moving towards countries where a profession is not regulated or moving as employees (also of temporary agencies). At the same time, the impact of PQD on the overall work flows of craftsmen can hardly be disentangled from the impact of the SD, the Posting of Workers Directive, and irregular jobs.

3.4 Effects of the Services Directive: Internal Simplifications, Cross-Border Activities, and Inward Inflows¹²³

3.4.1 Introduction

In this section, the regulatory effects of the *Services Directive (SD)* are assessed. As the SD aims at establishing 'general provisions facilitating the exercise of the freedom of establishment for service providers and the free movement of services', its effects fall, in the first place, on companies operating cross-border. However, the SD also has an effect on within-border operators, in terms of simplification of the regulatory framework. Furthermore, the SD also produces indirect effects on companies operating locally, due to the possible increase in competition caused by the

¹²² Professions and craftsmen in border regions may also be covered by bilateral cross-border employment agreements between MS.

¹²³ This Section summarizes the key results of a more detailed analysis presented in Volume 2, Annex III, Section 4.

facilitation of cross-border establishment and provision of services. Thus, three kinds of effects are discussed: (i) *simplifications* introduced by the SD for construction companies; (ii) the effects of the SD on *companies operating cross-border*, via both the freedom of establishment and the free movement of services; and (iii) the *indirect impacts of cross-border liberalisation* on construction companies.¹²⁴

The analysis relies on the following sources:

1. Primary information obtained through interviews with construction companies;
2. Primary information obtained through interviews with trade associations, public authorities and other stakeholders;
3. Secondary sources, including the Commission working paper on mutual evaluation of the SD,¹²⁵ the performance checks on the construction sector,¹²⁶ the recent Ecorys study on the impacts of the SD on the construction sector,¹²⁷ and the study on the cost of non-Europe and the untapped potential of the Single Market.¹²⁸

3.4.2 The Services Directive and Internal Simplification for Construction Companies

The SD includes provisions affecting the regulatory framework of certain service activities, including *construction services*.¹²⁹ While some articles and paragraphs solely target the cross-border service provision, *the SD also imposes simplification requirements on MS which benefit local operators*. In particular, MS are required to:

1. examine, and where necessary, simplify procedures and formalities applicable to the access to and exercise of a service activity (art. 5);
2. create a Point of Single Contact (PSC) for providers to complete procedures and formalities needed to access or exercise their service activity (art. 6 and 7);
3. introduce e-government solutions for procedures and formalities related to the access to and exercise of a service activity (art. 8);
4. remove authorisation schemes for access to or exercise of a service activity which are discriminatory, unjustified or non-proportional. In particular, MS are required to review requirements which could be arbitrary and dispositions on the duration of authorisations. Furthermore, the SD imposes to prevent unduly complex procedures, and to charge to service providers fees which are proportional to the costs borne by the public authority, as **well as to make tacit approval ('silent is consent') the rule for granting authorisations**, rather than the exception (art. 9-13);
5. remove certain requirements to which access to or exercise of a service activity may be subject, such as preliminary case-by-case economic testing or the involvement of competing operators in the procedure (art. 14);
6. assess, and remove if found discriminatory, unnecessary or non-proportional, certain requirements to which access to or exercise of a service activity may be subject, such as quantitative or territorial restrictions, legal form requirements, shareholding requirements, reserve of activities, limitation on the number of establishments in the MS territory, norms on the minimum number of employees, fixed tariffs, or service bundling requirements (art. 15);

¹²⁴ Issues related to the recognition of professional qualifications and more generally with cross-border activities of professionals are dealt in section 3.3 above. However, professionals are also covered in section 3.4.2, where simplification effects on purely internal situations are discussed.

¹²⁵ Commission Staff Working Paper On the process of mutual evaluation of the Services Directive, accompanying document to the Communication from the Commission, Towards a better functioning Single Market for services – building on the results of the mutual evaluation process of the Services Directive, SEC(2011)102, 27.1.2011.

¹²⁶ Performance Checks, State of Play of the Internal Market in the Construction Sector, Background Note, **Expert Group Meeting, 22nd March 2012. Hereinafter, 'Performance Check'**.

¹²⁷ Ecorys (2015), Simplification and mutual recognition in the construction sector under the Services Directive, **Final Report for DG MARKT. Hereinafter, referred to as the 'Ecorys SD Study'**.

¹²⁸ PWC and London Economics (2013), **Study on 'The cost of non-Europe: the untapped potential of the European Single Market', Final Report for the European Commission. Hereinafter, 'PwC Report'**.

¹²⁹ Explicitly mentioned at Recital 33.

7. allow multidisciplinary activities, except for justified cases concerning regulated professions and accreditation and testing activities (art. 25).¹³⁰

In several MS, *the SD was considered as generating a positive effect in terms of simplification* by both stakeholders and public authorities. Though simplifications of the regulatory framework for the exercise of the construction activities were clearly introduced following the implementation of the SD, it is clear that they are limited to a small number of MS.¹³¹ And even in relation to those, two key questions remain to be answered. First, to what extent these simplifications can be causally attributed to the SD. Secondly, to what extent these simplifications benefited stakeholders. The two questions are linked, as the attribution of benefits enables to identify the share of benefits of EU origin. However, as it will become apparent below, no quantification is possible.

The stakeholders' opinions on the attribution of simplifications to the SD were non-conclusive. Certain governments insisted that specific simplifications were adopted because of the overall revision of service regulations triggered by the SD. Other governments mentioned that the simplification of the regulatory framework for construction companies was largely unrelated to the SD, whose role is considerably more relevant in other sectors. Stakeholder associations largely claimed that simplifications could not be attributed to the SD. The Consultants could not retrieve any hard evidence concerning attribution, e.g. the mentioning of the SD in the recitals of preparatory documents of national legislation. The attribution is made more complex by the fact that construction companies barely heard of the SD at all.

Irrespective of the attribution being clear or not, *final beneficiaries, i.e. interviewed construction companies, noticed hardly any improvement from a simpler regulatory environment.* In the few **cases when firms' answers were positive about a (partial) improvement**, beneficiaries could not provide any quantitative estimate.¹³² *Over four types of authorisation, the perception of improvements for construction business activities remains limited.* The most optimistic view concerns the simplification of building permits, which was perceived as leading to an improvement by 30% of the interviewed construction companies, installers and professionals. Very limited simplifications were perceived concerning general authorisation schemes and operational permits. The limited perception of the benefits brought about by the simplification of the regulatory environment is further confirmed by the fact that *firms were almost unable to provide any quantitative estimate.*¹³³

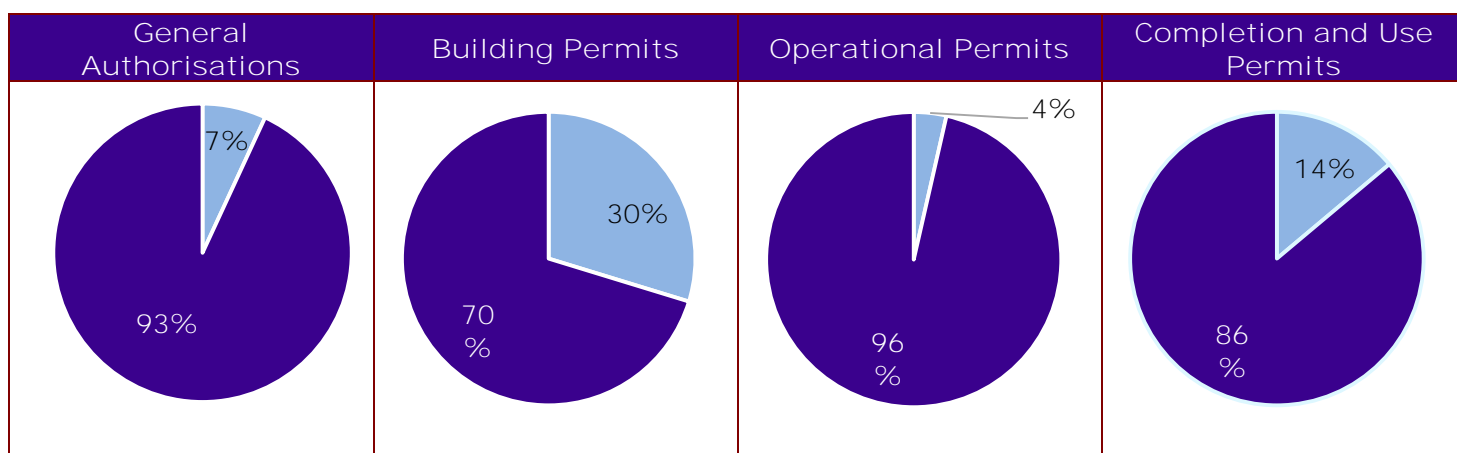
¹³⁰ Other SD simplifications are relevant for local operators, such as the generalization of alternative dispute resolution systems. However, in both primary and secondary sources, the Consultants could find no evidence of such issues being relevant for construction companies.

¹³¹ This results from interviews with stakeholders, in particular with public administrations, the Ecorys SD Study, and the Performance Check.

¹³² Through the interviews, construction companies, installers, and professionals were surveyed on whether the simplifications of administrative procedures introduced after the implementation of the SD in their country led to an improvement for their business. Exhibit 3.9 below shows the answers for four types of authorisations: (i) general authorisation schemes; (ii) building permits; (iii) operational permits required for certain activities during construction works; and (iv) completion and use permits. General authorisation schemes include authorisations or registrations required from construction operators to legally enter and/or operate in the market, not referring to actual construction activities taking place on the ground; building permits include ex-ante procedures through which the construction operator or the professional or the developer/owner demands from or communicates to a public authority the possibility to carry out certain construction activities, including, but not limited to, new buildings; operational permits include procedures through which a construction operator demands from or communicates to a public authority the possibility to carry out certain activities in the course of the construction work (e.g. scaffolding); completion and use permits include all procedures and checks that are carried out on a completed (or close to completion) building and/or in case of other completed (or close to completion) construction works, so that the building or other construction work can be deemed legally completed and/or can be used for residential and non-residential purposes.

¹³³ A Belgian company signalled that obtaining a construction permit is now much simpler, though local differences still persist. Another Belgian operator claimed that now all building permits in the Walloon region could consistently be granted in 60 days. Two companies in Italy mentioned that the introduction of lighter procedures for building permits for certain construction works reduced the lead time. Another Italian

Exhibit 3.9 Perception of Improvements over four Types of Authorisations by Construction Companies¹³⁴



Notes: in dark blue, no improvement; in light blue, some improvement.
Source: interviews with companies (construction operators, professionals, and craftsmen).

Box 3.4 Simplifications – Views from the OPC

In the OPC, stakeholders were asked about perceived changes in certain administrative procedures relevant for the construction sector: building permits for new construction, building permits for renovation works, operational permits, and use permits. In general, only a quarter of respondents perceived that the simplifications undertaken in the past years have materially reduced the administrative burdens on construction companies. With respect to the Professional Questionnaire, opinions are in line with those retrieved from the interviews: for three procedures – all but the operational permits –, a majority of respondents stated that the complexity has not diminished over the past years. To the contrary, public authorities perceived that these procedures have been simplified importantly, the number of respondents with direct experience with regulatory procedures is limited (17 out of a total of 55 respondents to the OPC).

Source: OPC – Cf. Annex VII for more details.

Specific reasons were identified by stakeholders as possible causes for limited improvements on the ground. Two reasons concern the legal and institutional framework, and in particular the role of local authorities and the fact that the SD was implemented through norms of principle in many MS; three reasons concern the economics and incentives of construction activities, including the cost of familiarisation with simplified procedures, the role of public authorities in ensuring legal certainty, and the overall impact of simplifications on the cost and time for construction works. These aspects are explored in greater detail below:

1. Legal principles vs. specific regulation. First and more importantly, in most MS the SD has been implemented by means of horizontal legislation only, thus via legal principles valid for the whole services economy,¹³⁵ which have not always translated into detailed

company mentioned that thanks to the 'silent is consent' rule, obtaining a use permit for residential buildings is now much less burdensome and can take place immediately following the building completion. Similar considerations on the reduction of the lead time and the application of the 'silent is consent' rule to the building permit procedure were made by a French craftsman. A German company also appreciated the application of the 'silent is consent' rule in relation to the use permit for residential houses, pointing out in particular a reduction of fees and out-of-pocket costs ranging from 15% to 20% and a reduction of lead time of 20%. Two UK construction operators, including one professional, praised the possibility of issuing a notice of construction works through electronic means, resulting in a reduction of the procedural steps and days needed to complete the procedure.

¹³⁴ Number of respondents is as follows: 31 for general authorisations; 38 for building permits; 29 for operational permits; 32 for completion and use permits.

¹³⁵ Ecorys SD Study, at p. 74.

procedural norms to be followed by public offices in charge of specific economic activities. This is particularly the case for construction services.¹³⁶ Especially in civil law countries, where public authorities, including local ones, are not used or even allowed to apply principles in derogation of pre-existent detailed norms, this has limited the impact of the SD to those MS that have implemented it specifically to the construction sector.

2. Role of local authorities. The simplifications mentioned above largely concern the national legal frameworks. However, in several MS, regional authorities also have legislative competence over building procedures and technical regulations;¹³⁷ furthermore, local authorities are called upon to administer most of the building procedures.¹³⁸ Certain stakeholders claimed that local authorities lack '*expertise, knowhow and means*' to implement the simplifications introduced.
3. Legal certainty and cost of familiarisation. Even when a simplification cuts regulatory time and costs, companies may prefer to rely on established formalities rather than attempting, for the first time, a new and simplified procedure. This consideration also implies that simplifications are taken up only progressively and after a certain period of familiarisation and trust-building.
4. Legal certainty and liability. In several cases, simplifications concerned the abolition of the (express) consent to a construction work granted by a local authority. This creates two possible problems: (i) the responsibility for declaring that a work complies with the applicable rules is shifted from the public authority to the professional, which in turn may **prefer to obtain a 'rubber-stamp' by a public body, even though more costly in terms of time and fees**, rather than bear the liability; (ii) reportedly, as the building regulatory environment is very complex (also due to the role of legal principles vs. specific regulation), with various layers of overlapping local and national norms, relying on the express act of a public authority, ensuring a higher degree of legal certainty on the lawfulness of construction works, may be preferable.
5. Share of regulatory costs over the total costs and time of construction works. Depending on the size of the project, and especially, but not only, in the case of new buildings, construction works usually require a long time for completion and substantial funding. Put in this perspective, both companies and clients may have a limited interest in reducing the lead time due to authorisations by **few days or in saving a few hundred € in administrative fees**. As already discussed above, for construction works, the legal certainty and a proper allocation of liability for certifying compliance with building regulations may be worth more than savings from simplification.

3.4.3 The Services Directive and Cross-Border Operations

The first and foremost aim of the SD is to *reduce barriers to cross-border mobility of service providers, including construction operators*, with regard to both the establishment in another MS and the cross-border provision of service. The reduction of these obstacles is expected to generate new business opportunities for companies. In addition to the simplifications applicable to both local and cross-border activities, discussed above in section 3.4.2, the SD includes the following specific provisions relating to norms specifically targeted at the freedom of establishment and cross-border activities:

1. the simplification of administrative procedures for all cross-border situations, resulting in simple form documents, acceptance of equivalent documents and tacit approval (art. 5 and 13);
2. the elimination of a large group of requirements and formalities concerning the cross-border provision of services on an occasional basis, including the elimination of the

¹³⁶ *Ibid.* at p. 4-19

¹³⁷ E.g. Germany, Spain, Italy, and the UK (*ibid.*, at p. 69).

¹³⁸ All MS covered in depth by this Study for which Ecorys data are available delegate building permit procedures to local authorities. Cf. *Ibid.*, at p. 89.

- requirement of the establishment (article 16). These requirements may remain in place if found non-discriminatory, necessary and proportional; necessity is defined as justified for reasons of public policy, public security, public health, or the protection of the environment;
3. the elimination of the need to hire local staff when operating in another MS (art. 15(2)(f) and 16(2)(d));
 4. the elimination of the need to proceed with corporate restructuring to meet entry requirements in another MS (art. 15(2)(b) and (c) and 25);
 5. the disapplication of local rules on equipment and materials (art. 16(2)(f)) and of many other host MS requirements (art. 16);
 6. the elimination of the need to acquire local insurance coverage when operating in another MS, provided that the provider already has an equivalent coverage in its home MS (art. 23).

The first step to measure the benefits of the SD in reducing cross-border barriers would be an *estimation of how many construction companies operate in another MS*. However, these data are scarce, from either secondary sources¹³⁹ and stakeholder associations and governments. Though estimates of foreign activities could not be provided, all stakeholders agreed on one consideration: *cross-border operations by construction firms are currently very limited*, for structural reasons. According to the PwC report, *cross-border activities are considered the least important driver of competitiveness by construction companies*. However, the PwC report also states that: “[t]he case of the construction sector is not one of regulatory barriers in certain MS inhibiting cross-border activity but rather each MS’s plethora of regulations deterring market entry by non-domestic firms.”¹⁴⁰ This is even a more significant barrier for foreign construction service providers intending to enter the market. Several studies (although mostly related to professional services) have shown that: (i) heterogeneity of regulation across the EU is harmful for cross-border activities, and (ii) domestic regulation often has a *de facto* discriminatory effect on foreign service providers.¹⁴¹

In any case, some of the drivers for the limited mobility of construction companies are mostly related to mobile entry modes. *These obstacles can (at least partially) be overcome by entering the market in a more permanent way* (e.g. through a branch set up for long-term local business development in the host market). For this reason, studies have shown that construction companies going abroad prefer a permanent establishment when the host market is unfamiliar, risky, with intense competition or with entry restrictions. This was also confirmed by two business federations during the Validation Workshop.

Stakeholders – including both trade association and interviewed companies – largely confirmed these findings and analysis, with respect to both the limited foreign activities of

¹³⁹ A recent Commission document provides information on the relative Internal Market openness of several services sector, including construction. This is based on cross-border trade intensity (the average of intra-EU imports and exports over the total turnover of the sector); and intensity of secondary establishment (the share of value added generated by intra-EU foreign affiliates over total value added). Evidence shows that the construction sector is the least open among those covered by the analysis. However, the amount of turnover generated from imports/exports of service activities and the added value generated by intra-EU foreign affiliates do not allow to estimate the flows of construction companies and/or projects providing services abroad, which would be necessary to estimate regulatory barriers and new market opportunities linked to the SD – analogously to the work done in Section A.4 for the POD. Cf. Commission Staff Working Document, A Single Market Strategy for Europe - Analysis and Evidence, Accompanying the document ‘Upgrading the Single Market: more opportunities for people and business Brussels’, 28.10.2015, SWD (2015)202. Cf. also Commission Staff Working Document, European Competitiveness Report 2014 ‘Helping Firms Grow’, SWD (2014)277.

¹⁴⁰ PwC Report, at p. 340. Interviewees consider regulatory barriers as less important in preventing activities abroad than other structural drivers. One national stakeholder association commented that ‘the main reason [for not operating abroad] remains the need to adapt to local building customs, linguistic barriers, cultural barriers, and business practices’.

¹⁴¹ Chuan C. (2008), Entry mode selection for international construction markets: the influence of host country related factors, Construction Management and Economics, Vol. 26, No. 3.

construction companies, especially SME, and the reasons explaining this phenomenon. Several stakeholders mentioned that, for the building market, companies have an incentive to go abroad only for large works, both public (e.g. hospitals) or private (e.g. large industrial plants). This *per se* reduces feasible business opportunities for SME, which are less likely to access these market segments, at least as main contractors. One exception are SME with expertise in specialised construction services operating in niche markets, which are more likely to have a multi-country scope of activities. Hence, in the current stage of deficient and sometimes inexistent implementation of the SD for construction service providers, the evidence points to the fact that most of foreign construction services are provided by large companies, which, because of their dimensions, are the least impacted by regulatory costs.

A limited number of complaints on the functioning of the SD, and more in general of the Internal Market for construction services, at least for companies already benefiting from it, is another reason why regulatory barriers are not perceived as a main obstacle for cross-border activities. Concerning paperwork duties, the SD requires MS to accept attestations and documents that a company obtained in the home MS, without asking for additional equivalent certifications and verifications. However, the empirical findings from companies operating cross-border and stakeholder associations suggest that that this acceptance rule is not implemented in some MS. Also, mutual recognition is not working to its full extent in the construction sector, for various reasons. The limited number of complaints may also be due to the limited knowledge of internal market legislation, particularly by SME, and also to the fact that, once the most restrictive barriers have been scrapped, larger companies have the means to deal with most regulatory obstacles, irrespective of their legality under internal market legislation. A national association further **praised the Commission's efforts to tackle certain regulatory obstacles, as detailed in the 2015 Communication on upgrading the Single Market.**¹⁴² Specifically, the initiatives targeted at easing **the identification and provision of information by construction companies (including the 'services passport')**¹⁴³ and at improving the effectiveness of the SD by reforming the notification procedures were considered as being potentially the most impactful. In addition to that, respondents mentioned that not all problems are linked to, and can thus be solved through, the SD: other pieces of legislation on social security, and the free movement of goods and professionals are relevant as well.¹⁴⁴

Box 3.5 Cross-border simplifications – Views from the OPC and other stakeholder contributions

The OPC confirmed both the limited number of construction companies active cross-border and the generally positive opinion about cross-border regulatory obstacles. Respondents were surveyed about whether obtaining the authorisation to provide construction services cross-border and to permanent establish in another MS were simplified over the past years, and they largely confirmed that this was the case. About a third of OPC respondents also affirmed that the simplifications helped facilitating the establishment in a MS other than their own the same position was reported in several stakeholder contributions following to the Validation Workshop.

Source: OPC – Cf. Annex VII for more details; other stakeholder contributions.

Insurance requirements.¹⁴⁵ A specific effort was made to identify the effects of insurance requirements on cross-border activities on construction operators. To this purpose, two national insurance federations were interviewed. The applicable legal framework is as follows. Art. 23 of the SD allows MS to require the subscription of a professional liability insurance or the provision

¹⁴² Communication from the Commission, Upgrading the Single Market: more opportunities for people and business, COM(2015)550, 28.10.2015.

¹⁴³ *Ibid.* at §2.3.

¹⁴⁴ Further than the PQD, two acts were mentioned: (i) Regulation (EC) No 883/2004 of the European Parliament and of the Council on the coordination of social security systems; and (ii) Regulation (EC) No 764/2008 of the European Parliament and of the Council laying down procedures relating to the application of certain national technical rules to products lawfully marketed in another Member State and repealing Decision No 3052/95/EC.

¹⁴⁵ A broader analysis of this issues is provided in Section 4.3 of Annex III.

of a financial guarantee from services carrying out activities presenting a risk to health, safety or financial security of recipients. The same article, though, requires that, when a provider establishes itself in its territory, the MS shall accept an equivalent or essentially comparable insurance coverage already subscribed by that provider in its home MS. In particular, insurance or guarantees issued by another MS finance institution or insurance company shall be accepted, as long as equivalent or essentially comparable.¹⁴⁶

Insurance requirements may indeed create barriers to the free movement of service providers, in case of activities presenting health, safety or financial security risks. This is the case for example for medical professions, tax advisors, lawyers, and construction operators. With respect to the latter, the problems in the mutual recognition of insurance requirements have various roots, linked both to the regulatory framework and the functioning of the insurance market:

1. National regulatory frameworks on insurance requirements are extremely different from country to country, and no EU piece of legislation harmonises the professional liability for construction operators. As a result, assessing whether an insurance issued in country A **can be considered as 'equivalent or essentially comparable' in light of the requirements of country B** is very difficult.
2. The professional liability insurance is a complex product, and the coverage granted to the insured company may vary over a large number of parameters. Consequently, assessing whether each insurance coverage subscribed by a foreign construction operator is **'equivalent or essentially comparable' given the requirements of the host MS is even more difficult**.
3. Finally, insurance markets tend to exclude the coverage of idiosyncratic risks, i.e. those risks for which an insurer cannot estimate ex ante the statistical (actuarial) distribution of probability of adverse events. This may be the case for cross-border activities.

Broadly speaking, insurance requirements are still considered a barrier by stakeholder associations, and some of the interviewees reported that they could not rely on their own insurance coverage when going abroad. However, *stakeholders concurred that problems are less significant than a few years ago*. In particular, reference was made to the fact that companies intending to operate in France found it very difficult to buy a coverage for the *garantie décennale* required from contractors. A market-based solution was eventually identified, and perceived as a workable solution in most cases. The general opinion that the problem is currently more limited than in the past – though buying a cross-border coverage may still represent a significant cost – was also confirmed during the Validation Workshop and in the subsequent written contributions by stakeholders.

Interviews with companies. Efforts were made to include construction companies with cross-border experience within the sample. A quarter of the respondents provided cross-border services after 2009, i.e. including the period when the SD had already deployed its effects. Service were **provided through the respondents' own company, a subsidiary incorporated in the host MS, or both**. The choice depends on the size of the companies, as only two large companies reported having established a subsidiary abroad. Small companies are more likely to work in their own name, and largely as sub-contractors of larger companies from the same MS. Few companies could indicate whether certain regulatory requirements were abolished after the introduction of SD, e.g. concerning the use of own equipment or the acceptance of equivalent documentation. Most significantly, as in the case of domestic simplifications, no company could provide an estimate of the cost savings linked to the elimination or reduction of regulatory barriers.

3.4.4 The Inward Effects of the Services Directive

Stakeholder associations, governments and companies – both those operating cross-border and those which only operate locally – were also interviewed on the inward effects of the SD, i.e. asking whether they could see an increase in construction operators coming from other EU

¹⁴⁶ Art. 23 SD. Cf. also art 14(7). See Commission Staff Working Document, Access to insurance for services provided in another Member State, SWD(2014)130.

countries.¹⁴⁷ Since a limited number of construction companies currently operate abroad, grievances concerning the increase of competition were expected to be limited. Interestingly, this was not the case uniformly across the EU: *in some countries, and in some market segments, both stakeholder associations and companies reported an increase in competition*. How can these findings be reconciled with those presented above, not pointing out a significant effect **attributable to the SD? The most plausible answer, based on Consultants' analysis, is that stakeholders perceive the increased competition not so much from actual cross-border construction service providers, but mostly from companies merely posting workers across borders or from irregular workers. The largest impacts would thus be generated by the flow of foreign employees which falls outside the scope of the SD, as opposed to companies or independent workers covered by the SD.**

The negative perception of increased competition within the Single Market is not equally spread across countries, firms and market segments. The most affected actors include:

1. SME. As discussed above, the bulk of cross-border activities in the construction sector appears to be carried out by larger firms. Hence, the benefit from the opening of the Single Market to SME would be more limited. This implies that, in a cost-benefit comparison, SME are more likely to suffer from the increased competitive pressure without enjoying more **opportunities in other MS. This cleavage can be noticed both in the firms' opinions, and in the considerations of SME-specific trade associations, both at national and EU level.**
2. Labour-intensive market segments. The competitive pressure due to labour mobility is higher for certain market segments with a higher labour intensity and a lower skill intensity, as in the case of certain building services such as plasterers, tilers, bricklayers. Those services are more mobile and more fungible. On the contrary, contractors, i.e. those firms whose activity has higher capital endowments and added value, rarely complain about the increase in competition. Rather, contractors are likely to benefit from cheaper sub-contractors originating from other MS.
3. Geographical areas. The impact of increased competition shows a variation across geographical areas and is mostly felt in the MS which (i) can be conveniently reached, e.g. are not islands or too peripheral; (ii) have high social security costs; and (iii) have a healthier and sufficiently large construction market. Belgium and France correspond to these descriptions and were among the countries in which both companies and trade associations had the most negative assessment of increased competition.

Clearly, *stakeholders rarely attributed the negative effects of increased and possibly unfair competition to the SD*. Actually, even in one of the most affected countries, one SME stakeholder association considered the impacts of the SD as **'marginal'**, and that the situation did not significantly change after the implementation of the SD. **Stakeholders' grievances were mainly targeted at the posting of workers Directive, with regard to both its provision and its enforcement, and the abuse of worker's status by so-called 'fake independents'.**

Box 3.6 Presence of construction firms from other EU markets – Views from the OPC and other stakeholder contributions

Findings from the OPC are in line with those retrieved from interviews. In the OPC, a majority of respondents (30 out of 55) reported that they have experienced a stronger presence of foreign companies in their home markets. A third replied that this was not the case, though this share includes a significant number of public authorities. Business federations at EU and national level also pointed out that problems of unfair competition arise because of the interlink between the SD, the Posting of Workers Directive, and social security legislation, and a generally weak enforcement system. These views were also confirmed by other written contributions submitted following to the Validation Workshop.

Source: OPC – Cf. Annex VII for more details; other stakeholder contributions.

¹⁴⁷ Findings from the interviews are presented in Section 4.4 of Annex III.

3.4.5 Conclusions

The assessment of the effects of the SD on the construction sector focused on three different areas: (i) simplifications; (ii) new business opportunities for cross-border companies; and (iii) the impact of increased foreign competition. Across all these areas, the effects were discussed, significant data gaps with regard to cross-border construction activities notwithstanding. As explained in detail in Section 3.4.2 above, the impacts are considered not to be significant for various reasons, including the challenge in implementing simplifications at local level and the currently limited mobility of construction companies. This, in turn, translates into a lack of perceived impact by construction operators. Furthermore, as the regulatory framework for both internal and cross-border construction activities depends on a complex group of intertwined pieces of legislation, at EU, national and local level, attributing specific impacts clearly to the SD based on the evidence retrieved is difficult.

3.5 Effects of EU Legislation on Energy Efficiency in Buildings – New Business Opportunities¹⁴⁸

3.5.1 Introduction

EU Legislation. The purpose of EU legislation on the energy performance of buildings is to *reduce energy consumption in the building sector*, in order to contribute to the achievement of overall EU energy saving targets. Adopted in December 2002, the *Energy Performance of Buildings Directive* (EPBD 2002) was the first EU legislative measure to introduce binding requirements for buildings, in particular by calling upon MS to introduce minimum energy performance requirements for both newly built buildings and those undergoing major renovations with a total useful area over 1000 sqm. In order to further reap the energy savings potential in the building sector, *a recast of the Energy Performance of Buildings Directive* was adopted in May 2010 (EPBD 2010). In particular, the EPBD 2010 (i) widened the scope of the directive (by removal of the 1,000 sqm threshold on renovation); (ii) introduced levels of ambition to be met in new buildings and in renovation (namely, with the requirement that, by end of 2020, all new buildings are **'nearly zero energy buildings'**); (iii) **strengthened the provisions concerning energy performance certification and inspection of heating and air-conditioning systems**; and (iv) required MS to address financing issues related to renovation and high performance buildings.

Effects of EU Legislation. The effects of legislation on energy performance in buildings (EPB) ultimately fall upon the building owners and occupiers, who must incur whatever costs may be associated with higher energy efficiency standards and who benefit from the savings resulting from lower energy consumption. However, EPB legislation also exerts a major influence on the construction sector, as the growing demand for energy-efficient buildings, building systems and materials creates *new business opportunities for construction firms and related activities* (e.g. installers). This section is devoted to the analysis of these energy efficiency (EE) related **business opportunities, hereinafter referred to as the 'EE market'**. The assessment of the EE market focuses on the residential buildings sub-sector, with a detailed *analysis of both new buildings and building renovation*.

3.5.2 Regulatory Framework and National Support Measures

Regulatory Framework.¹⁴⁹ EPB requirements are incorporated in building codes or equivalent regulations developed by government authorities at the national and/or at the regional/local levels.¹⁵⁰ Most of the countries covered by this Study have a fairly long history of regulating EPB,

¹⁴⁸ This Section summarizes the key results of a more detailed analysis presented in Volume 2, Annex III, Section 5.

¹⁴⁹ An in-depth analysis for the countries in scope of the Study is provided in Section 5.2 of Annex III.

¹⁵⁰ Information for this section was mainly derived from the documents produced in the framework of the **Concerted Action EPBD (hereinafter 'CA – EPBD')**. In particular, reference was made to the volume CA EPBD (2016), *Implementing the Energy Performance of Buildings Directive – Featuring Country Reports 2016* and to the previous implementation reports in the various countries.

with the first provisions often dating back to the 1970s or even the 1960s. The 2004 – 2014 period is characterized by two elements common to all the countries, namely: (i) the significant strengthening of EPB requirements; and (ii) the growing attention paid to building renovations. However, the process was far from uniform, with some countries opting for a more gradual **approach and others modifying the levels of ambition 'en route'**. Differences also persist in the way in which the EPB requirements are expressed. While there was a general trend towards the adoption of performance-based requirements (i.e. considering the EPB as a whole), in several cases prescriptive elements are still present in building codes. While this is justified on several grounds, especially in the case of renovations, it also makes it more difficult to properly compare EPB requirements across countries.

Support Measures.¹⁵¹ Changes in the regulatory framework have been paralleled by the *deployment of financial measures aimed at supporting EE in buildings*.¹⁵² Three main elements emerge from the analysis of government support schemes.¹⁵³ First, in line with developments in the regulatory framework, in virtually all countries support programmes focus primarily (and often increasingly) on building renovation. Support to new buildings is available in some countries, but typically on a much smaller scale and/or only in selected cases. Second, the range of instruments deployed is extremely varied, reflecting national preferences and traditions. In some cases, the selection of instruments was influenced by considerations that have little to do with EE-related considerations. Third, there are significant differences across MS regarding the selectivity of government assistance. In some countries/regions (e.g. Germany and the Flanders), support schemes are increasingly geared towards the achievement of progressively higher EPB standards. In other countries, a significant share (sometimes the bulk) of support is provided **through 'broad' schemes, that apply to a wide range of EE-related interventions, not necessarily entailing significant improvements in EE standards.**

3.5.3 Energy Efficiency-Market for New Buildings

The EE-related market for new buildings is defined as *the turnover accruing to construction firms as a result of the extra costs linked to the adoption of stricter EPB requirements that are 'passed onto' clients*.

Approach. Estimating the EE-related market in the new buildings segment is a challenging task due to the presence of various concomitant factors. The two main variables to be considered are: (i) the increase in construction costs associated with the introduction of more stringent EPB regulations; and the (ii) the extent to which construction firms are able to compensate higher **costs with a corresponding increase in prices (the so called 'pass-on' factor)**.¹⁵⁴ In practice, the first step in the analysis consists in estimating the increase in construction costs linked to the adoption of EE regulations. The cost increase is estimated with respect to the situation prevailing in 2004 (i.e. at the beginning of the period analysed), **which is regarded as the 'baseline'**. As

¹⁵¹ An in-depth analysis for the countries in scope of the Study is provided in Section 5.3 of Annex III.

¹⁵² EE-related financial instruments have been analyzed in a variety of studies. Comprehensive reviews include: ODYSSE – MURE (2015), Synthesis: Energy Efficiency Trends and Policies in the EU; Energy Efficiency Financial Institutions Group (2015), Energy Efficiency – the first fuel for the EU Economy - How to drive new finance for energy efficiency investments; and BPIE (2012), Energy Efficiency Policies in Buildings – The Use of Financial Instruments at Member State Level. This section is based on these reports as well as on other sources (e.g. press releases, government documents) providing information on the latest developments up to end 2014.

¹⁵³ It is important to note that EE-related measures coexist with a number of other instruments aimed at **supporting building construction and/or renovation 'in general'**. Often, these 'generic' support schemes can be cumulated with EE-related schemes, making it difficult to precisely assess the separate impact of the various instruments.

¹⁵⁴ In turn, the 'pass on' factor is influenced by various factors, including: (a) the very magnitude of the extra costs determined by more stringent EE regulations (as smaller increases are more easily transferred to clients); (b) general market developments, i.e. the general trend in real estate prices and volume of transactions; (c) presence and scale of government financing schemes aimed at supporting the purchase of **more energy efficient buildings; and (d) house buyers' preferences, which may (or may not) result in the willingness to pay a premium for more energy efficient houses.**

enterprises typically operate on a 'cost plus basis', the cost increase can also be regarded as indicative of the turnover linked to EE regulations. Therefore, as a second step, the cost increase, expressed in percentage terms, is multiplied by the value of the new buildings output, obtaining an initial estimate of the EPB-related turnover. Since the 'extra cost' due to EPB regulations and the new buildings output both vary overtime, this exercise is done for each year over the 2004 – 2014 period covered by the Study. The third step involves the estimation of the 'pass-on' factor, i.e. the extent to which the cost increase did actually translate into an increase in price. Finally, the 'pass on' factor is used to adjust the initial estimate, providing the final assessment of the EPB market.¹⁵⁵

Data Sources and Key Parameters. Information for the estimation exercise was retrieved from interviews with operators and industry associations as well as from secondary sources. The latter include engineering studies comparing the actual construction costs for new buildings 'with' and 'without' the EPB requirements implemented over the period covered by the Study, some IA carried out by national authorities at the time of the EPBD transposition, and some studies specifically focusing on the impact of more stringent EPB requirements.¹⁵⁶ Estimates of the *cost increase* linked to more stringent EPB requirements show significant variations across countries. The values retained for the analysis range from a maximum of 8% in Denmark and France to a minimum of 1% in Poland, with an average of about 5% across the ten countries.¹⁵⁷ Some data issues concerning these estimates are discussed in Box 3.7 below. Regarding the '*pass-on*' factor, available evidence suggests that in the majority of MS construction firms were generally able to incorporate the extra costs into prices, with a corresponding increase in turnover. However, this is not the case for Ireland, Italy and Spain, where the dramatic downturn in the construction sector resulted in a strong downward pressure on prices. Accordingly, it was estimated that in these countries construction firms were able to recoup only three quarters of the extra costs.¹⁵⁸

Box 3.7 Data Issues Concerning the Cost Increase Estimates

Differences Among Various Sources. Estimates of cost increases show significant variations depending upon the sources. In general, estimates provided by operators are considerably higher than those provided in engineering studies and other documentary sources, with estimates provided by industry associations falling somewhere 'in between'. For instance, in Belgium the firms interviewed for the Study reported cost increases of up to 20%. However, this is much higher than the values found in engineering studies (about 6%) and also at odds with the estimates provided by business associations (10%).¹⁵⁹ Similarly, in Germany, the firms interviewed for the Study provided very high estimates of the extra costs, up to 35%, which however is at odds with the 6% cost increase estimated by both business associations and government authorities.¹⁶⁰ Whenever the estimates from various sources could not be reconciled, preference was given

¹⁵⁵ The above approach incorporates a highly stylized version of the functioning of the new buildings market and this inevitably entails some limitations. For instance, the analysis is based on average values, which obviously does not do justice to extreme diversity of the new buildings market. Also, the approach is somewhat 'naïve' in the sense that it assumes that construction firms fully comply with the mandatory EPB requirements, whereas there is significant evidence that this is not always the case, especially in the years immediately following the entry into force of a new regulation.

¹⁵⁶ For a detailed list of the sources used, please refer to Annex III, Section 5.4 and to Annex VI.

¹⁵⁷ The values shown in the text refer to the maximum increase recorded over the 2004 – 2014 period. However, as stricter EPB requirements were introduced gradually, the maximum value apply only for the later years, whereas lower values were used for the initial years. For more details, please refer to Annex III, Section 5.

¹⁵⁸ Details on the country-by-country analysis are provided in Section 5.4.2 of Annex III.

¹⁵⁹ The 10% cost increase is mentioned in a written contribution submitted by FIEC after the Validation Workshop and refers to the situation in Wallonia since 2008. See FIEC, Response from FIEC Technical Committee, 10 June 2016.

¹⁶⁰ In Germany the theme of the extra costs linked to EPB requirements was investigated in detail in recent two studies, one sponsored by business associations and the other commissioned by the government. While diverging in many respects, the two studies concurred in assessing the extra cost at 6% for the period up to 2014. See ARGE, Kostentreiber für den Wohnungsbau - Untersuchung und Betrachtung der wichtigsten Einflussfaktoren auf die Gestehungskosten und auf die aktuelle Kostenentwicklung von Wohnraum in Deutschland, April 2015; and Wissenschaftliche und Technische Begleitung der Baukostensenkungskommission, im Rahmen des Forschungsprogramms „Zukunft Bau“ des

to the values provided in documentary sources, which usually include sufficient information to assess the realism of calculations. However, as documentary sources typically provide more conservative values, in some cases this may have resulted in an *underestimation* of the actual cost increase.

Declining Cost of EPB-related Interventions. As in the case of all innovative products, the unit cost of energy efficiency technologies tends to decline over time, as a result of learning effects and/or scale economies. However, the magnitude of the cost reduction varies depending upon the type of intervention. The building construction professionals interviewed for the Study suggested the possibility of significant cost savings for certain components (heating systems, windows and doors), but not for construction-related interventions, such as wall and roof insulation. This is in line with the results of a recent study, which, in the case of Germany, found a major decline in the cost of windows whereas the unit cost of wall insulation declined only marginally and that of roof insulation increased.¹⁶¹ The decline in the unit costs of certain interventions was not always taken into account in the sources utilized and this may have resulted in an *overestimation* of the actual cost increase.

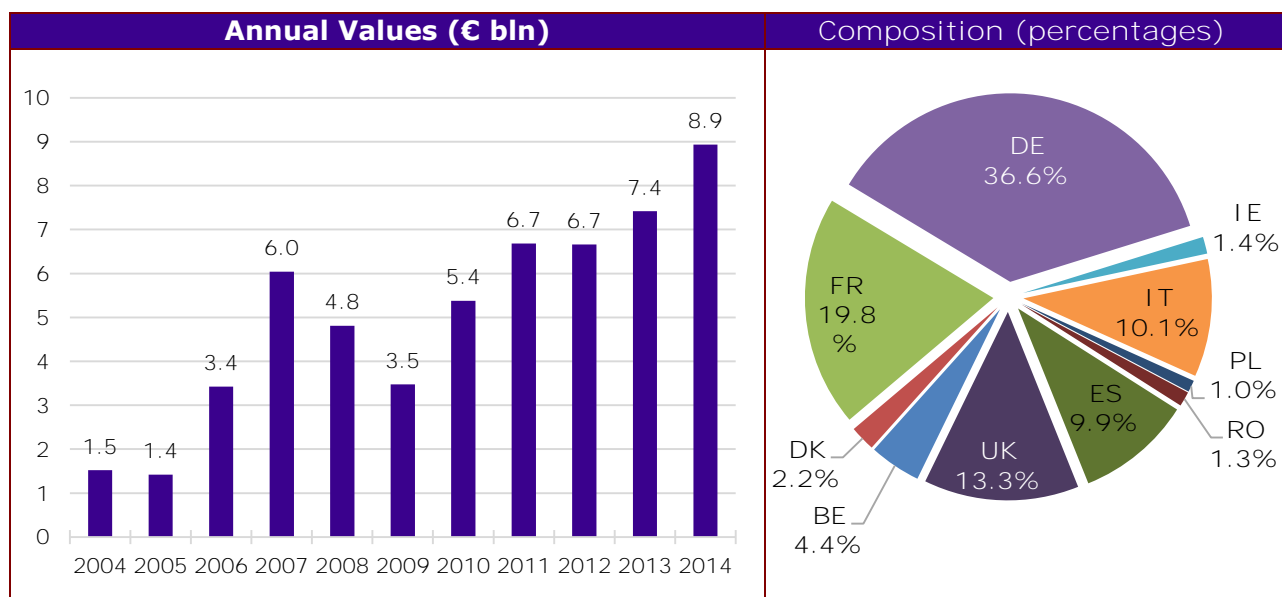
The above two factors obviously introduce a margin of error in the estimates of the cost increase. However, *considering that the two factors move in opposite directions, their effects tend to cancel each other*. Therefore, the values retained for the analysis can be regarded as reasonably realistic estimates of the extra costs linked to the introduction of stricter EPB requirements.

Results. Over the 2004 – 2014 period, the total value of the EPB-related market for new buildings is estimated at € 56 bln. This corresponds to about 3% of the total new residential buildings output over the same period. With more than € 20 bln, Germany accounts for more than one third of the total market, followed by France (€ 11 bln, i.e. about 20%) and the UK (€ 7 bln, i.e. 13%). Overtime, the value of the EE market shows a contrasted trend, with a growth until 2007, followed by a decline at the end of the 2000s, and by a recovery since 2010. In 2014, the EE-related market for new buildings amounted to about € 9 bln. The trend is the result of the interplay of two factors: (i) the overall evolution in the new buildings market; and (ii) the tightening of energy efficiency requirements. For instance, in France and Germany, the tightening of EE requirements combined with a recovery in the new buildings market, resulting in an overall growth since 2011. In contrast, in Italy and Spain, the effect of the progressive tightening of EPB was more than compensated by the drastic decline in the overall market, resulting in a negative trend.

Bundesministeriums für Umwelt, Naturschutz, Bau und Reaktorsicherheit (BMUB) – Endbericht, November 2015.

¹⁶¹ See IEA, Energy Efficiency Market Report 2015, 2015. The IEA report builds upon the results of Ecofys, Preisentwicklung Gebäudeenergieeffizienz Initialstudie, 2014. It is worth noting that unit costs are expressed in 'real' terms, i.e. after taking into account the general price trend for construction materials. As the general price index of construction materials increased, the decline in 'current' terms was lower. Also, the drastic decline in the cost of windows (about 60% in 'real' terms since 1994) refers to the most common type of glazed windows (with an U value up to 1.3). In the case of high performance glazed windows (with an U value up to 0.8) the decline was about 25%.

Exhibit 3.10 EE-Related New Buildings Market



Source: Authors' own elaboration

3.5.4 Energy Efficiency-Market for Building Renovation

The EE-related market for buildings renovations is defined as *the value of the works and related goods and services utilized to upgrade the energy efficiency of dwellings*.

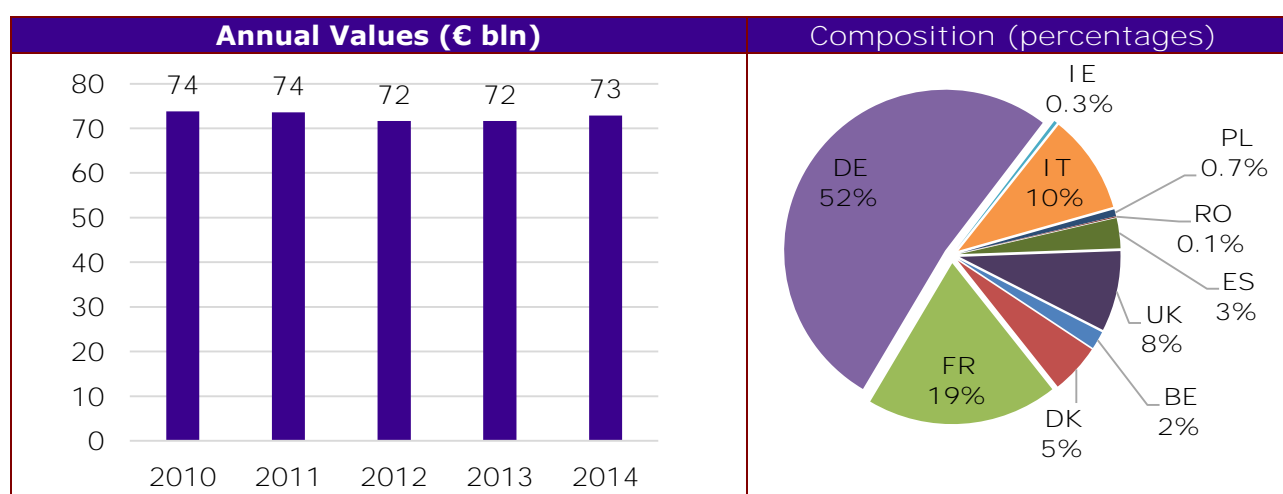
Approach and Data Sources. There is little systematic information on the value of EE-related renovations and the analysis had to rely on a variety of sources. Comprehensive studies are available for only few countries, and even in these cases, there are at times discrepancies among the various sources. In most (though not all) the countries analysed the EE-related renovation activities are driven by government support programmes and, therefore, in certain cases the market was estimated based on data on the assistance provided. The information collected from stakeholders and firms was usually of limited use, as either they were not able to provide any quantification, or the figures provided showed a wide range of variation, reflecting peculiar situations or distorted perceptions. Still, in few cases, information from interviews was the only **one available forcing the Consultant to resort to fairly rough 'guess estimates'**. Three points are worth noting. *First*, irrespective of the sources, sometimes the EE-related market was estimated as a share of the total renovation market. In these cases, the total market value was computed by multiplying the estimated share by the total value of residential renovations taken from sector statistics. *Second*, the definitions of 'EE-related renovation' used by the various sources utilized sometimes differ. The main difference refers to expenditures for RES, and in particular photovoltaic domestic installations, that are covered in some cases and excluded in others. *Third*, the estimates provided here also include the value of renovation works that were triggered by the recommendations formulated in the energy performance certificates issued over the relevant period,¹⁶² as well as the value of small-scale residential renovation triggered by the obligations for energy distributors to achieve energy savings (art. 7 EED).¹⁶³

¹⁶² Cf. Section 3.6.4 below.

¹⁶³ Cf. Section 3.7.2.3 below.

Results. Over the 2010 – 2014 sub-period, the only one for which data are available for all the ten MS, the total value of the EE-related renovation market is estimated at nearly € 364 bln. This accounts for about 23% of the total residential renovation market. With € 189 bln, Germany is by far the leading market, accounting for 52% of the total, followed by France (€ 70 bln, i.e. 19%) and Italy (€ 36 bln, i.e. 10%). Obviously, the ranking of countries largely reflects the total size of the market, but it is also influenced by the intensity of the EE renovation effort, with Denmark posting a value (€ 18 bln) that is more than 50% higher than that of Spain (€ 11 bln). Annual figures are in the € 72 – 74 bln range, with a marginally declining trend from 2010 through 2013, with a partial rebound in 2014. However, this is the result of widely divergent trends at the national level. Developments were globally negative in Germany, where the EE renovation market contracted from some € 40 bln in 2010 to less than € 35 bln in 2014. This appears to be due to a decline in the renewable energy segment, as the reduction of government incentives led to a major decline in the value of Renewable Energy Sources (RES) installations. On the contrary, in Italy the market grew from about € 6 bln in 2010 – 2012 to nearly € 8 bln in 2014, largely in connection with the increase of tax deductions for EE interventions starting in mid-2013. In France, after the strong growth recorded in the late 2000s, over the 2010 – 2014 period the market increased only marginally, by some € 0.5 bln. Positive developments can be noticed also in Belgium and Denmark, but, as the EE market was estimated as a fraction of the total renovation market, in these countries the trend is explained primarily by general market developments. The same applies to Spain, where the marginally declining trend until 2013 is due to a contraction in the general market, with a rebound in 2014. The UK constitutes a special case, as the globally positive trend started in the late 2000s was interrupted in 2013 due to the problems encountered by the Green Deal programme, which led to drastic decline in the insulation segment (whose value passed from more than € 2 bln to € 0.5 bln, with only a partial recovery to € 1.2 bln in 2014).¹⁶⁴

Exhibit 3.11 EE-Related Renovation Market – 2010 - 2014 (€ bln and Percentages)



Source: Authors' own elaboration

Box 3.8 The Nature of Building Renovation Interventions¹⁶⁵

Building renovation interventions typically fall into three main categories, namely: (i) thermal insulation works; (ii) heating system improvements and/or installation of RES; and (iii) replacement of windows. Other interventions include the installation of ventilation systems and improvements in heating control systems. The relative importance of these categories varies across countries. In France, over the 2006 – 2014 period, windows replacement was by far the main item, accounting for 52% of total renovation expenditure, followed by insulation works, with 36%. Improvements in the heating system (condensing boilers), came in the third position, accounting for only 9% of the total. In contrast, in the UK, over the 2008 – 2014 period, the replacement of boilers accounted for about 65% of total renovation expenditure, with insulation works and improvements in windows accounting for, respectively, 18% and 17%. Irrespective of the relative

¹⁶⁴ Details on the country-by-country analysis are provided in Section 5.5.2 of Annex III.

¹⁶⁵ For details on the sources used, see Annex III, Section 5.5.

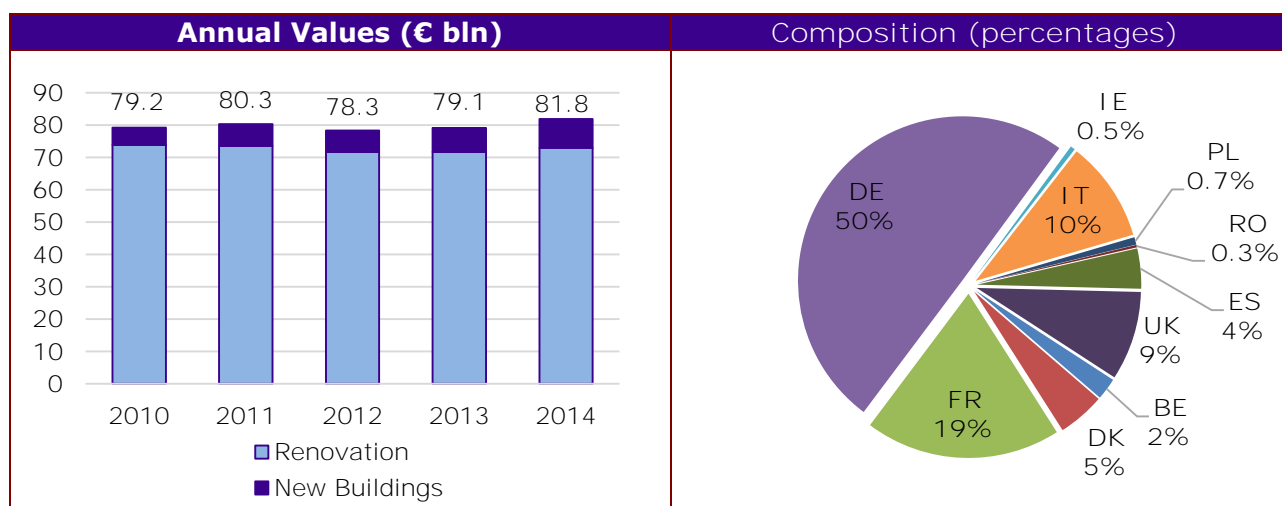
importance of the various typologies of interventions, *building renovations involve an increased demand for energy efficiency construction products and appliances, with beneficial effects on the earlier stages of the supply chain.*

Building renovation interventions are typically small scale. In France, in 2013, the average value of interventions was about € 4,140, with only roof insulation interventions costing more than € 10,000. A similar value was found in Germany, where in 2014 the average intervention was worth € 4,450, with a 12% decline compared with 2010. The average value of renovation interventions is a bit higher in Italy, € 10,750 in 2014, seemingly reflecting a higher propensity for deeper insulation works. *The modest value of building renovation interventions has important implications for the construction sector, as it enhances the role of SME and, in particular of micro enterprises.*

3.5.5 Total Energy Efficiency-Market and Influence of EU Legislation

Total EE-related Market. Based on the results presented in the preceding two sections, for the sub-period 2010 – 2014 for which there are comprehensive data, the total EE-related turnover for new and existing buildings is in the order of € 399 bln, of which about 91% (€ 364 bln) refer to renovation and € 35 bln (9%) to new buildings. On a per year basis, the market size varies between €78 and 82 bln, Predictably, Germany is the country with the largest share, about 50% of the total, followed by France (19%) and by the UK and Italy almost at par, with respectively 10% and 9% of the total. The trend is somewhat oscillating, with annual values ranging between € 78 bln and € 82 bln per year. While renovation is always by far the largest segment, the share of turnover in the new buildings segment shows a clear upward trend, passing from some 7% in 2010 to about 11% in 2014. This result, however, is heavily influenced by developments in Germany which is one of the two only countries (the other being Spain) to record a decline in the value of EE-related renovations.

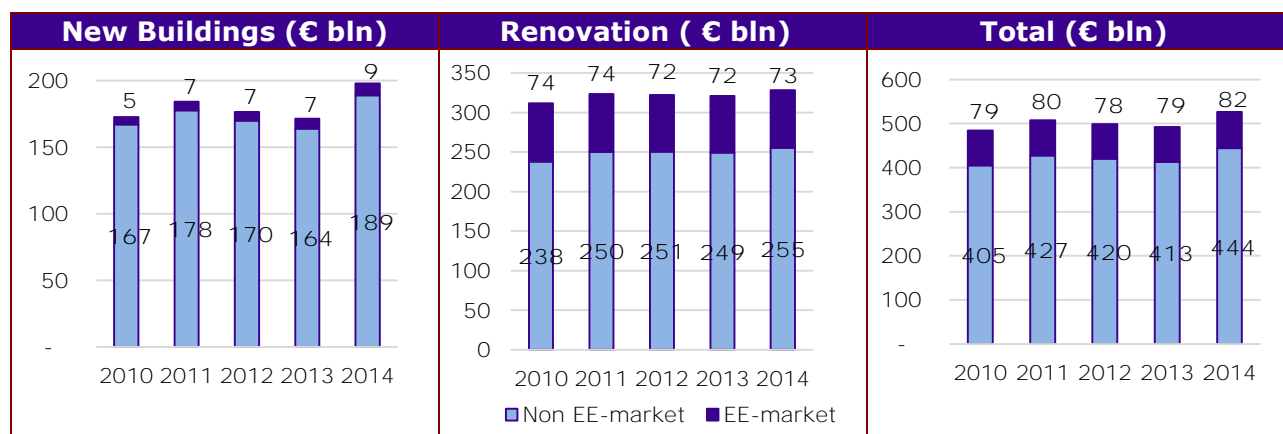
Exhibit 3.12 Total EE-related Market – 2010 – 2014



Source: Authors' own elaboration

In relative terms, over the 2010 – 2014 period, the EE-related market accounts for about 16% of the total residential buildings market, a share that remained stable overtime. EE-related business is comparatively more important in renovation, where it accounts for about 23% of the total, again with little variation overtime. Instead, the share of EE-related business in new buildings, while minimal, is on the rise, passing from 3% in 2010 to 5% in 2014.

Exhibit 3.13 Comparison Between the EE-Related and the Total Residential Market – 2010 – 2014



Source: CRESME elaboration on Euroconstruct and Authors' own elaboration

Influence of EU Legislation. The relative importance of EU legislation in generating the EE-related market cannot be neatly determined. The nature of the obligations imposed by the EPBD (and, whenever relevant, the EED and the RESD) upon MS is such that national authorities have a great degree of latitude. Similar considerations apply to the deployment of financial support measures. The establishment of these support measures is indeed contemplated by relevant EU legislation. However, national authorities retain full autonomy in determining the nature, scale and intensity of these measures.

Under these conditions, the influence exerted by EU legislation was assessed on the basis of a rating exercise, which took in considerations the various factors at play. The ratings were then converted into numerical values to provide an estimate of the value of the EE market that can be attributed to EU legislation. The nature of the exercise is briefly presented in Box 3.9 below.¹⁶⁶

Box 3.9 Assessing the Relative Importance of EU Legislation

The assessment of the relative importance of the EU legislation took into consideration *five main aspects*, namely: (i) the influence exerted by EU legislation on the setting and/or tightening of EPB requirements, on the basis of the temporal and logical sequence of events; (ii) the influence exerted by EU legislation in directing the attention of national authorities towards the theme of EE-renovation; (iii) the extent to which the EE market is influenced by support programmes involving a significant mobilization of government resources; (iv) the timing and salient features of these support programmes; and (v) the presence and scale of EU-funded support programmes.

Based on the analysis of the above factors, the role played by EU legislation was rated on a *five-level scale*, ranging from 'very low' to 'very high', with a percentage value attached to each level of the scale, ranging from 10% in the case of 'very low' to 90% in the case of 'very high'. In turn, these percentage values were used to measure the estimated contribution of EU legislation to a certain market (new buildings or renovation) in a certain MS over the 2004 – 2014 period.

As it is the case with all exercises involving not only a precise rating of complex phenomena but also the transformation of ratings into quantitative results, the analysis is inevitably exposed to the risk of subjectivity. To minimize this risk, the relative importance of the EU legislation vis-à-vis national factors was *extensively discussed with stakeholders during the Validation Workshop*. The results presented here take into account the feedback received from participants during the workshop as well as subsequent written contribution submitted by some stakeholders.

¹⁶⁶ For more details, please refer to Annex III, Section 5.6.

The EE-related Market Attributable to EU Legislation. Overall, making again reference to the 2010 – 2014 period, the **EE-related market attributable to EU legislation (the 'EU value')** can be assessed about **€ 124 bln**, of which **€ 108 bln** for the renovation segment and **€ 16 bln** for the new buildings segment. Based on these values, EU legislation can be attributed 31% of the total EE market, with a higher role for the new building segment (45%), and lower for renovation (30%), in which national support programmes have a larger weight.

Exhibit 3.14 Estimated Contribution of EU Legislation: 2010 – 2014 (€ bln and %)

	EU Value (€ bln)	Value Attributable to National Policy and Other Factors (€ bln)	EU Value as a Share of the EE Market
<i>New Buildings Market</i>	15.91	19.1	45.4%
<i>Renovation Market</i>	108.3	255.3	29.8%
<i>Total Market</i>	124.3	274.4	31.2%

Source: Authors' own elaboration

3.5.6 Conclusions

The EU legislation on EPB played an important role in creating new business opportunities for the construction sector. In many cases, these opportunities would not have materialized in the absence of national support measures backed by substantial budgetary resources, but in some countries EU legislation was nonetheless instrumental in providing the initial impetus. Overall, the business opportunities generated by EU legislation account for about 5% of the total residential building market, which constitutes *a meaningful contribution to sustain the level of activity during a fairly difficult period*. This also had positive effects across the whole supply chain, with an increase in the demand for energy efficient construction products and for energy efficiency-related professional services. Possibly more important, considering the small scale of the majority of building renovation interventions, EU legislation on EPB had positive effects on SME.

3.6 Business Opportunities and Costs of the Energy Performance Certificate¹⁶⁷

3.6.1 Introduction

The Energy Performance Certificate (EPC) was introduced by the EPBD 2002. In certain countries or regions, such as the Netherlands, Denmark Germany, and certain parts of Austria, certificates on the energy performance of buildings had already been introduced before, though with a different format and different requirements.¹⁶⁸ The EPBD 2002 required that, when buildings or buildings units are constructed sold or rented out, an energy performance certificate is made available to the owner or by the owner to the prospective buyer or tenant.¹⁶⁹ Issuance and of EPC was also made mandatory for frequently visited buildings larger than 1000 m² occupied by public authorities.

Such a provision was then amended by EPBD 2010, by adding the following elements:

1. In case of rent or sale of buildings, including newly constructed ones, the energy performance indicator is to be displayed together with the advertisement;
2. The EPC shall include technically-feasible recommendations for the cost-optimal or cost-effective improvement of the energy performance of the building unless there is no reasonable potential for such improvement compared to the energy performance requirements in force;

¹⁶⁷ This Section summarizes the key results of a more detailed analysis presented in Volume 2, Annex III, Section 6.

¹⁶⁸ Cf. CA EPBD.

¹⁶⁹ Art. 7 EPBD 2002.

3. The threshold for EPC display in frequently-visited public buildings was progressively lowered to 500 m² and then 250 m².¹⁷⁰

Concerning professionals issuing the EPC, the EPBD 2002 mandated that the certification of **buildings should be carried out 'in an independent manner by qualified and/or accredited experts'**.¹⁷¹ The EPBD 2010 confirms this provision and requires that MS make available a list of qualified and/or accredited experts providing building certification services.¹⁷² Modalities for accreditation or certification, including minimum requirements, trainings and life-long learning have been defined at national or regional level.

This section discusses three of the cost and benefit items linked to the EPC, thus generated by the EPBD: (i) administrative costs linked to the obligation to obtain and display Energy Performance Certificates (EPC) of buildings; (ii) substantive compliance costs to become a qualified or accredited expert for building certification; and (iii) new business opportunities linked to issuance of EPC. The analysis relies on the following sources:

1. Primary information obtained through interviews with trade associations, public authorities and other stakeholders;
2. Secondary sources, including the Evaluation of the EPBD,¹⁷³ the Open Public Consultation on the EPBD,¹⁷⁴ the Concerted Action on EPBD (CA EPBD) and its publications,¹⁷⁵ the project ZEBRA2020,¹⁷⁶ a BPIE study on national approaches to EPC,¹⁷⁷ country specific databases, and market surveys.

In line with the scope of the Study, the evaluation of these items is done from the point of view of the construction sector, including in particular construction companies and professionals involved in the certification of building energy performance. Such a scope has two main implications: (i) costs and benefits falling on other subjects, such as building owners, tenants, or public authorities are not considered in the quantification; (ii) substantive issues linked to the working of the EPC framework, such as its quality and effectiveness, are not covered.

3.6.2 Administrative Costs Linked to the Obligation to Display the Energy Performance Certificate

The costs for issuing and displaying the EPC can fall upon different subjects:

- 1) Owners, for existing buildings or building units put for sale or rent;
- 2) Project developers for new construction buildings;
- 3) Real estate agents (at least for the duty to display and supply the EPC) involved in the sale or rent of buildings or building units;
- 4) Construction companies, when they operate as both constructors and sellers of new buildings.

According to the scope of this Assignment, administrative costs falling upon construction companies are calculated here below. As such, only the EPC issued for new buildings are relevant, thus excluding those issued for rent, sale of existing buildings, or for frequently visited public buildings.

¹⁷⁰ Art. 11-13 EPBD 2010.

¹⁷¹ Art. 10 EPBD 2002.

¹⁷² Art. 17 EPBD 2010.

¹⁷³ Ecofys (2015), Ex-post evaluation of the application of Directive 2010/31/EU, Final report for DG ENER. Hereinafter, 'EPBD Evaluation Study'.

¹⁷⁴ Ecofys (2015), Public Consultation on the Evaluation of Directive 2010/31/EU, Final report for DG ENER. Hereinafter, 'EPBD Public Consultation'.

¹⁷⁵ Available at: <http://www.epbd-ca.eu/> (last accessed on March 2016).

¹⁷⁶ Available at: <http://zebra2020.eu/> (last accessed on March 2016).

¹⁷⁷ BPIE (2014), Energy Performance Certificates Across the EU, A Mapping of National Approaches, hereinafter 'BPIE Study'

To estimate these costs, the following parameters are needed:¹⁷⁸

1. Average price of EPC per country. To a large extent, EPC prices are set on a market basis; prices were retrieved from market studies and surveys, both EU-wide and country.¹⁷⁹
2. Number of EPC per country issued for new buildings. To estimate the number of new buildings, the number of completed houses the period 2010-2014¹⁸⁰ is retrieved from CRESME elaborations on Euroconstruct data.¹⁸¹
3. Share of buildings sold directly by construction companies. Costs borne by construction companies refer to the case in which a constructor is operating also as developer and trader. Such operating modality is far from being the dominant modality in the real estate market:¹⁸² though it is more diffused in Southern countries, it represents a small share of total new buildings at EU level. Since data on the share of houses both built and sold by construction companies are not available, the following estimates are provided, based on evidences from stakeholders: (i) 30% of the new construction market for Italy; (ii) 25% of the new construction market for Spain; (iii) 20% of the new construction market for France; and (iv) 5% of the new construction market for all other MS.

Based on these assumptions, administrative costs are calculated by multiplying the average prices, the number of new completed houses, and the share of houses both built and sold by construction companies. As for the BAU factor, it is assumed to be 0%, meaning that construction companies would not adopt such a certification without a mandatory requirement. To finalise the quantification, the share of costs attributable to the EU level needs to be estimated. Out of the 10 MS covered in-depth by this Study, eight of them have introduced mandatory certification only after the EPBD 2002. For these eight MS, the share of costs of EU origin is considered at 100%. In Denmark and Germany, some form of energy certifications had already been introduced before; for these MS, the share of EU costs is estimated at 50%, as the EPBD 2002 and 2010 still had an impact on the coverage of the obligation, and the format and content of the certification. Administrative burdens of EU origin are shown in Exhibit 3.14 below. Across the five years for which data are available, **total administrative burdens of EU origins amounted to €23 to €30 mln per year**. The limited cost impact of EPC on the construction sector was further confirmed by stakeholders at the validation workshop.

Exhibit 3.15 EPC Administrative Burdens of EU Origin for Construction Companies 2010 – 2014 (€ '000)

MS	2010	2011	2012	2013	2014
BE	354	374	342	359	384
DK	239	251	335	303	273
DE	911	1,048	1,148	1,225	1,405
ES	9,034	5,903	4,313	2,430	1,755
FR	11,060	11,760	14,497	15,222	14,420
IE	88	54	56	54	73
IT	7,240	5,717	4,820	4,273	3,730
PL	458	442	516	490	484
UK	453	470	476	455	491
Total	29,837	26,018	26,503	24,811	23,014

Source: Authors' own elaboration

3.6.3 Substantive Compliance Costs to Become a Qualified or Accredited Expert for Building Certification

The substantive compliance costs linked to becoming a qualified or accredited expert for building energy performance certification fall upon construction professionals, namely on those

¹⁷⁸ Full data table are provided in Section 6.3 of Annex III.

¹⁷⁹ Cf. i.a. BPIE Study. Country-specific sources are used where available.

¹⁸⁰ 100% compliance rate assumed (1 new completed dwelling = 1 EPC). Data are not available for Romania.

¹⁸¹ Hereinafter, 'CRESME'.

¹⁸² As confirmed by follow-up contributions to the Validation Workshop.

undertaking such activity. While comprehensive information on the modalities of accreditation or certification are available,¹⁸³ data on the number of certifiers and the costs for such accreditation and certifications are not. For the 10 MS covered in-depth by the Study, statistics on number of registered certifiers are hardly available, apart from some countries (e.g. Romania) or specific years. Furthermore, there is a significant difference between the number of registered certifiers and the number of certifiers who have actually issued at least an EPC in the same year

Only anecdotal information is available on the cost of accreditation or certification. The BPIE Study reports some training costs, which represent only one of the steps of the accreditation/certification process. Training costs, as well as duration, vary from MS to MS, and also within MS across regions.¹⁸⁴ Due to high variability of such parameters, precise information on other costs and time spent by certifiers on this task could not be retrieved. Given the relatively poor data concerning the population of certifiers, the lack of data on the cost of the obligation, and the low priority of this cost item for the overall construction industry, it is considered that there is no sufficient ground to provide any tentative quantification.

3.6.4 New Business Opportunities Linked to Issuance of Energy Performance Certificates

The EPC generate new business opportunities for both professionals and construction companies:

1. for professionals active in the market for EPC, new opportunities are represented by the revenues
2. generated by the EPC, i.e. by the market size. Since our analysis takes into account the intra-value chain distributional effects, this amount needs to be lowered by the share of the market paid for by construction companies (as discussed in Section 3.6.2 above).
3. for construction companies and specialised construction service providers, the EPC may generate new business opportunities in two ways: (i) for new buildings and renovation works with improved energy efficiency performance (ii) by triggering additional renovations in existing buildings via the recommendations included in the EPC.

With respect for professionals, the market size can be calculated by multiplying the number of EPC issued per country¹⁸⁵ with the average price.¹⁸⁶ *New business opportunities for professionals issuing EPC* are thus shown in Exhibit 3.16 below. As done for administrative burdens generated by EPC provisions, business opportunities of EU origin have been obtained by discounting by 50% values in Denmark and Germany, where energy performance certificates were required before the introduction of the EPC. In addition, to take into account for intra-value chain distributional effects, those values are lowered by the amount of EPC paid for by construction companies (reported in Section 3.6.2 above). The market size, or, in other words, the revenues **generated for EPC professionals, amount to €611 mln in 2014, the only year in which data for 9 MS are available.** The steady amount is largely due to the increase of data coverage from additional MS, especially for larger MS, in 2013 and 2014, and should not be interpreted a sign of market increase.¹⁸⁷

¹⁸³ This information is presented in Section 6.4 of Annex III.

¹⁸⁴ **Reported costs go from about €300 in Greece to €1,200 in Austria (for 5.5 days of training) and €1,600 in Estonia (for 10 days).** Additional information, though unsystematic, was retrieved from interviews with companies and is included in Section 6.4 of Annex III.

¹⁸⁵ Data on the number of EPC are BPIE elaboration and concern the number of EPC issued, including both new and existing buildings, public buildings, and both for rent and sale transactions; for all countries except Poland, at least one data point for one year is available. The statistics provided originate from the EPC databases, provided by the ZEBRA2020 project, or extracted directly from national sources. Additional information has been extracted from Concerted Action EPBD. Full data are presented in Section 6.5 of Annex III.

¹⁸⁶ Cf. *supra* note 179.

¹⁸⁷ Data gaps in Exhibit 3.15 depend on the availability of data on the amount of EPC issued in each MS in each year, not on the progressive compliance in MS. Conservatively, the minimum number of data gaps was estimated. Data gaps were only filled for countries in which at least one data point is available, and only for the years following the first data point: the data-fill rule is as simple as possible: EPC in year t+1 in Country A are estimated to be equal to EPC in year t. For Poland, no estimation was considered possible or realistic.

Exhibit 3.16 EPC: New Business Opportunities of EU Origin for Professionals (€'000)

MS	2006	2007	2008	2009	2010	2011	2012	2013	2014
BE	913	4,219	7,088	39,499	29,718	37,414	41,919	35,291	42,915
DE	-	-	-	-	-	-	-	-	34,672
DK	-	-	-	-	-	15,007	10,634	12,310	13,594
ES	-	-	-	-	-	-	-	-	121,395
FR	-	-	-	-	-	-	-	72,643	76,650
IE	-	21	626	16,014	13,602	16,985	11,698	16,820	18,345
IT	-	-	-	-	-	-	-	36,114	137,156
PL	-	-	-	-	-	-	-	-	-
RO	-	-	-	-	-	-	6,813	14,328	14,328
UK	-	-	115,137	156,975	123,457	101,101	99,573	137,982	151,906
Total	913	4,240	122,851	212,487	166,777	170,508	170,637	325,486	610,961

Source: Authors' own elaboration

With respect to new business opportunities for construction companies linked to EPC, those linked to new construction and renovation of buildings with better energy efficiency performance are already discussed at length in Section 3.5.4 above. With respect to benefits generated by recommendations included in the EPC,¹⁸⁸ conclusive data are lacking. The stakeholders did not specifically mention effects from these recommendations, which were sometimes criticised by stakeholders as *'being of little or no use'* or *'too general'*. The recent summary of the EPBD Open Public Consultation reports that *'recommendations [...] are neither tailor-made, nor part of a holistic plan for the building'*, and this might have prevented the EPC to fulfil the role as a *'renovation accelerator'*.¹⁸⁹ The EPBD evaluation considered the EPC not to have triggered more ambitious renovations or more renovations.¹⁹⁰ So far, the impact of EPC on the rate and depth of renovation is estimated by stakeholders to be limited.¹⁹¹ This was further confirmed by stakeholders during the Validation Workshop.

3.6.5 Conclusions

The EPC can generate costs and benefits for both construction companies and professionals. With respect to construction companies, the impacts are estimated to be negligible. As for costs, they **only bear a small share of costs, estimated in €23-30 mln per year in the 10 MS under analysis**, as most of EPC duties fall on owners, tenants and developers. As for benefits, they are also estimated to be negligible, given the limited effect of EPC recommendations so far. With respect to professionals, the EPC generate new business opportunities for those engaging the activity of energy auditors. Given the number of EPC and the average price in the 10 MS under analysis, **these business opportunities are estimated at €610 mln in 2014. As for costs, linked to the qualification/accreditation process that MS may set up to enter the EPC market, available data and information retrieved from stakeholders are insufficient to provide a quantitative estimate.**

3.7 Other costs and benefits in the Energy Efficiency policy area¹⁹²

3.7.1 Introduction

In this section, other issues related to the energy efficiency policy area, namely to the EED, RESD, and EPBD are discussed, in particular

- Section 3.7.2 deals with the regulatory effects generated by the EED;
- Section 3.7.3 deals with the accreditation and certification of (i) inspectors of heating and cooling systems (EPBD); and (ii) RES installers (RESD);

¹⁸⁸ Content of the recommendations in the 10 MS covered in depth is presented in Section 6.5 of Annex III.

¹⁸⁹ Consultation Report, at p. 7.

¹⁹⁰ Evaluation Report, at p. 74.

¹⁹¹ Consultation Report, at p. 34.

¹⁹² This Section summarizes the key results of a more detailed analysis presented in Volume 2, Annex III, Section 7.

- Section 3.7.4 deals with the impacts of energy efficiency provisions, in particular energy performance requirements and support measures, on construction product manufacturers.

Regarding the benefits of EE legislation, the new requirements do not necessarily in the short term translate directly into 100 % benefits for contractors and installers. In the longer run, the cost of requirements may pass on to building owners/investors and the services provided by contractors/installers to fulfil the requirements increase their profit margin. And the latter could decrease over time according to the maturity of the technology and more competition into the market.

3.7.2 The Energy Efficiency Directive

The present sub-section explores the regulatory impacts of the EED on the construction sector, and more specifically of three items identified during the previous steps of the assignment as possibly generating costs or benefits for construction operators, that are: (i) new business opportunities linked to the obligation to renovate the stock of existing public buildings, including the 3% target for central government buildings; (ii) new business opportunities linked to the increase in the demand for high energy efficiency goods and services (including construction) by public bodies; and (iii) new business opportunities linked to the increase in the demand for energy efficiency services associated to the obligation for energy distributors to reduce their sales by 1.5% per annum. Information on these effects was retrieved via:

1. Primary information obtained through interviews with trade associations, public authorities and other stakeholders;
2. Secondary sources, including the 2011 IA on EPBD,¹⁹³ National Energy Efficiency Action Plans (NEEAP) submitted by the MS to the European Commission in 2014, and the National Green Public Procurement (GPP) Action Plans (policies and guidelines), national reports submitted in force of Art. 7 EED, and the Concerted Action EPBD (CA EPBD) and its publications.¹⁹⁴

3.7.2.1 The 3% Renovation Target for Public Buildings

Art. 5(1) of the EED requires MS, as of 1 January 2014, to renovate (on a yearly basis) 3% of the total floor area of heated and/or cooled buildings owned and occupied by its central government.¹⁹⁵ However, the 3% requirement may be opted out of, in case a MS decides to implement other cost-effective measures leading at least to an equivalent amount of energy savings (Art. 5(6)). While not implying any significant direct and/or indirect cost for the industry, Art. 5 EED may instead generate benefits to firms involved in building renovations, as well as to the entire construction value chain through an increased demand for renovation services. In fact, as the actual energy-efficiency renovation rate is only 1.7%, the 3% target set in the EED could pave the way for new business opportunities.¹⁹⁶

Actual benefits for the construction sector depend on the extent to which MS have opted for other **'alternative' measures that do not necessarily involve construction and renovation.**¹⁹⁷ At the current date, 11 MS decided to opt for the 3% renovation rate while 17 MS opted for 'alternative' measures. Among the sampled countries, only Romania and Spain adopted the 'default' approach under Art. 5(1) EED. In these countries, the size of the regulation-induced market stemming from Art. 5(1) EED can be estimated by multiplying the floor area under renovation in 2014 by the

¹⁹³ Commission Staff Working Paper – Impact Assessment, accompanying the Directive of the European Parliament and of the Council on energy efficiency and amending and subsequently repealing Directives 2004/8/EC and 2006/32/EC, SEC(2011)779. Hereinafter, 'IA on EPBD'.

¹⁹⁴ Available at: <http://www.epbd-ca.eu/> (last accessed on March 2016).

¹⁹⁵ Art.5 of the EED applies to buildings owned and used by the central government with a usable floor area larger than 500 m² and, as of July 2015, also with floor areas of more than 250 m².

¹⁹⁶ IA on EED.

¹⁹⁷ The status of implementation for art. 5(1) and the alternative measures adopted are detailed in Section 7.2.2 of Annex III.

costs per m² to renovate such area. In this context, for *Spain* the total useful area was equal to 11,200 thousand m² with a renovation obligation of 336 thousand m². Estimated costs for energy efficiency renovation are equal to €391/m². This leads to revenues for the construction sectors of €131.5 mln in 2014. To calculate the additionality of the 3% requirement over the normal renovation rate, the EU renovation rate of 1.7% is used;¹⁹⁸ hence, the remaining 1.3% of renovations is attributed to the EED's renovation target. Accordingly, the additional revenues for the construction industry in Spain amounted to some €57.1 mln in 2014. Nevertheless, according to industry associations, the impact of Art. 5(1) EED on the Spanish industry still remained limited so far. In the same vein, in *Romania* the total floor area of 6,739 thousand m² under inventory required renovation works on 202 thousand m² in 2014. Estimated costs for renovation in Romania are equal to €251/m². Hence, in 2014 total revenues for the construction sectors from renovating buildings owned and used by the central government were equal to €50.7 mln and, applying a BAU renovation rate equal to 1.7%, €22.0 mln can be considered additional.

3.7.2.2 Purchase of High Efficiency Goods and Services (Including Construction) by Public Bodies

Article 6 of the EED requires MS to ensure that central governments purchase or rent buildings with high energy-efficiency performance and compliant with the (non-exhaustive) list of standards contained in Annex III and in particular the Minimum Energy Performance Requirement (MEPR) set under Article 4 of the EPBD. Interim results collected by the Commission show that energy efficiency requirements in public procurement are not fully understood by all agents and that the transposition of Art. 6 EED is not yet finalized in some countries.¹⁹⁹ The adoption of MEPR in public procurement rules is fragmented and still lagging behind in several countries included in the sample. Even in countries where full transposition of art. 6 EED has taken place, the actual impact on the time frame covered by this Study was limited. In this regard, it is worth remarking that potential benefits will most probably accrue in coming years, especially when considering that the Directive applies only as of June 2014. In addition, Art. 6 EED overlaps with other EU Directives on public procurement²⁰⁰ and this makes it more difficult to disentangle the benefits of the EED from those stemming from other EU rules or generated by national legislation.

Box 3.10 Green Public Procurement – Views from the OPC and other stakeholder contributions

In the OPC, respondents were enquired as to whether they had noticed an increased use of energy efficiency criteria in public tenders for buildings and construction services. Though a plurality of respondents had no opinion, among those who did answer, about three quarters expressed that indeed GPP criteria were more common in tenders issued by national, local, and regional governments. In its written contribution, the French Government underlined that GPP criteria have been made part of the national *acquis* on public procurement in 2015 and 2016, and this is expected to generate positive effects on the construction sector.

Source: OPC – Cf. Annex VII for more details; other stakeholder contributions.

3.7.2.3 Obligations for Energy Distributors to Achieve Energy Savings

Article 7 of the EED requires MS to set up an energy efficiency obligation scheme, ensuring that energy distributors and retail companies (cd. 'obligated parties') reduce the sale of energy, by volume, at least by 1.5% per year. Alternatively, under Art 7(9), MS can adopt other policy measures to achieve an equivalent amount of energy savings. A provision with a similar scope

¹⁹⁸ IA on EPBD.

¹⁹⁹ See Communication from the Commission, Assessment of the progress made by MS towards the national energy efficiency targets for 2020 and towards the implementation of the Energy Efficiency Directive 2012/27/EU as required by Article 24 (3) of Energy Efficiency Directive 2012/27/EU, COM(2015)574, at pp. 8-9. Full details on the implementation of GPP criteria in the 10 MS covered in depth are provided in Section 7.2.3 of Annex III.

²⁰⁰ Directive 2014/24/EU of the European Parliament and of the Council on public procurement and repealing Directive 2004/18/EC; and Directive 2014/25/EU of the European Parliament and of the Council on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC.

and aim was included in article 6 of the 2006 Directive on end-use of energy.²⁰¹ Among the 10 MS in the scope of the analysis, only two countries have completely opted out from setting up an energy efficiency obligation scheme for distributors and retail companies, namely Germany and Romania; in Spain, the government expressed the intention to establish such a scheme but still has not done so. In all other MS, schemes were set up (including by regional governments in Belgium), to at least partly achieve the article 7 targets. In six MS (Denmark, France, Ireland, Italy, Poland, and UK), these schemes have switched from voluntary to mandatory measures over the recent years, and in particular following the adoption of the EED.²⁰²

Obligated parties have to either contribute to the funding of these schemes, or implement energy saving measures themselves.²⁰³ Where schemes require energy distributors and retailers to undertake energy savings actions, great attention is paid to small refurbishments in existing buildings, and in particular to heating systems, other building systems, windows, and insulation. Hence, those schemes benefit in particular SME in the construction and installation sectors. Such interventions in existing buildings are deemed to be cost-effective, and energy distributors and retailers are already in contact with end users for marketing and billing reasons, and hence have the means and capacity to propose small-scale improvements. These interventions resulted in new business opportunities for the construction sector, in particular for installers of building systems (especially heating) and windows, and to a lesser extent for construction operators, in case of insulation works or other larger-scale interventions. The value of these business opportunities is already accounted in the estimation of EE-related renovation activities carried out *supra* in section 3.5.4. Specific information on the market effect of article 7 schemes could be retrieved for three countries, i.e. France, Italy, and the UK and is presented here below (though already included in the figures presented above):²⁰⁴

1. In *France*, the energy efficiency scheme for energy distributors and traders managed **through the 'Certificats d'économies d'énergie' generated expenditures for €224 mln, of which 90.1%, that is about € 202 mln, were invested in interventions on existing buildings, especially on heating systems and building envelopes.**²⁰⁵
2. In *Italy*, energy distributors and traders participate in the '*Certificati Bianchi*' scheme. In **2014, the scheme was worth about €830 mln. Small-scale interventions in buildings, in particular in heating and hot water systems, and interventions on the envelope accounted for 16% of this value, i.e. about €130 mln. The most common standard interventions include wall insulations, the substitution of boilers, and other improvements of the heating and cooling systems.**
3. In the *UK*, several company obligation schemes required energy operators to achieve energy savings via **interventions in households', commercial, and industrial buildings (e.g. the Carbon Emission Reduction Target and the Community Energy Saving Program)**. In 2013, these programmes were replaced by two new initiatives, the Green Deal programme and the Energy Company Obligation. In 2014, under the various programmes the following interventions were financed: (i) 320,000 cavity wall insulations; (ii) 60,000 solid wall insulations; (iii) 220,000 loft insulations; and (iv) 1,510,000 interventions on boilers and heating systems.²⁰⁶

²⁰¹ However, it included voluntary agreements as opposed as to mandatory targets.

²⁰² CA EBPD (2016), Implementing the EPBD featuring country reports, at p. 100.

²⁰³ In several cases, the duty to implement energy-efficient measures is coupled with a market for so-called '**white certificates**', i.e. tradable certificates corresponding to a certain amount of energy saved, e.g. in France, Italy, and the UK.

²⁰⁴ The information refers to 2014, which is the year when the EED entered into force. A broader analysis is presented in Section 7.2.4 of Annex III.

²⁰⁵ Cf. **Gouvernement Français (2015), Rapport annuel 2015, dû au titre de l'article 24 de la Directive Efficacité Énergétique (DEE)**; cf. Art. 7 Report – France.

²⁰⁶ Committee on Climate Change (2015), Meeting Carbon Budgets – **Progress in reducing the UK's emissions** - 2015 Report to Parliament. No data is available concerning interventions on windows, also eligible under the programmes. Cf also. Rosenow, J. and N. Eyre (2014), **Re-energising the UK's approach to domestic energy efficiency**, ECEEE Summer Study Proceedings, pp. 281-289.

In conclusion, energy efficiency obligations for energy traders and distributors may represent a source of business opportunities for construction companies, and especially installers, as energy companies are very likely to suggest small-scale interventions to their residential customers, leveraging on their financial capacity and customer relationships. Even in MS where these programmes were not specifically targeted to the building sector, a significant or prevailing share eventually involved the stock of existing houses, especially with regard to heating systems, windows, and insulation. These benefits, however, can only partially be attributed to the EU framework because of at least two reasons:

1. Some of these requirements for energy traders and distributors existed before they became obligatory under the EED;
2. They are strongly dependent on the implementation modalities chosen by the MS, including the possible focus on small-scale interventions in buildings.

3.7.3 Accreditation and Certification of Inspectors of Building Systems and Installers of Renewable Energy Sources

The present sub-section explores two cost items which are relevant for a segment of the construction value chain, i.e. installers: (i) a cost item generated by the EPBD, that is **'substantive compliance costs to become a qualified or accredited expert for system inspections (initial and continuous training, software licence, audit by administrations)'**; and (ii) a cost item generated by the RESD, that is **'substantive costs for the installers of renewable energy systems to meet requirements of certification or equivalent qualification schemes'**. The above-mentioned cost items are assessed based on:

1. Primary information obtained through interviews with installers;
2. Primary information obtained through interviews with trade associations, public authorities and other stakeholders;
3. Secondary sources, including the evaluation of the EPBD,²⁰⁷ the mid-term evaluation of the RESD,²⁰⁸ the Concerted Action on EPBD (CA EPBD) and its publications,²⁰⁹ the Concerted Action on RESD (CA RESD) and its publications,²¹⁰ and the IA on the EPBD.

3.7.3.1 Accreditation and Certification of Inspectors of Building Systems

Articles 14 and 15 of the EPBD 2010 state that both heating and air-conditioning systems with an effective rated output over a certain threshold shall be subject to regular inspections of their accessible parts.²¹¹ *Article 17 of the EPBD 2010 requires that these inspections are carried out 'by qualified and/or accredited experts'*,²¹² whether operating in a self-employed capacity or employed by public bodies or private enterprises'.²¹³ MS can opt out from the provisions on inspections and introduce other measures with an equivalent impact.²¹⁴ As a consequence, 13 MS introduced alternative approaches for heating systems, and seven for air-conditioning systems. Among the MS covered by this Study, Ireland opted for alternative measures for both cooling and heating inspections, while France, Denmark,²¹⁵ Germany, and the UK opted for alternative measures for heating inspections.

²⁰⁷ EPBD Evaluation Study.

²⁰⁸ CE-Delft (2015), Mid-term evaluation of the Renewable Energy Directive, A study in the context of the REFIT programme, report for DG ENER. Hereinafter 'RESD Evaluation'.

²⁰⁹ Available at: <http://www.epbd-ca.eu/> (last accessed on March 2016).

²¹⁰ Available at: <http://www.ca-res.eu/> (last accessed on March 2016).

²¹¹ Similar provisions were already included in the EPBD 2002 in articles 8 and 9, and were to be implemented as of January 2009. Cf. IA on EPBD, at p. 21.

²¹² The OPC confirmed that, in most cases, the inspection of heating and air-conditioning systems is carried out by visibly qualified/accredited experts.

²¹³ The same requirement was provided for by the EPBD 2002, in art. 10.

²¹⁴ Alternatives are spelled out in art. 13(4) and 14(4) and include: (i) provision of advice to users concerning the replacement of boilers/air conditioning systems; (ii) other modifications to the heating/air-conditioning systems; and (iii) and alternative solutions to assess the efficiency and appropriate size of the boilers/air-conditioning systems.

²¹⁵ In Denmark, the scheme of inspection of air-conditioning systems was discontinued as of 1st of January 2016.

*The requirements concerning the qualification or accreditation of inspectors of both heating and air-conditioning systems are very different across MS.*²¹⁶ In particular, accreditation or qualification may be based on training, exams, professional experience or **attestation of competence. In addition to that, qualification may be 'automatically' granted to installers already operating in these market segments.** Furthermore, in certain MS, these requirements are set and/or managed at regional level, e.g. in Italy, Spain, and Belgium. In most countries, a prior level of educational qualification is mandatory, and a secondary education diploma is usually necessary for installers. Professional experience is another common requirement to access the market.²¹⁷ Qualifying examinations, where mandatory, are different in coverage and depth. Information on costs was retrieved via interviews with installers and stakeholder associations. However, given the diversity of schemes across MS, the number of data points are not sufficient to perform a quantification.

3.7.3.2 Accreditation and Certification of Installers of Renewable Energy Sources

The accreditation and certification of RES installers is regulated by the RESD, which is not an act specifically designed for the building sector. The regulation of this aspect is quite loose, as article **14(3) RESD 'only' provides for MS to ensure that certification or equivalent qualification schemes are or become available by 2012 for installers of small-scale RES generation capacity.**²¹⁸

The uptake of this provision is still limited. According to CA RES data, 13 MS introduced a certification scheme for experts, and 3 MS a qualification. These schemes vary to a large extent among MS, in particular concerning: (i) content/competencies; (ii) the subjects (companies or individuals); (iii) the responsible body; (iv) the length of training; (v) the demonstration of competences; (vi) the administration of the scheme; and (vii) the duration of the qualification and the requirement for continuous professional development. These schemes may be mandatory or voluntary, though voluntary schemes may still be linked to the subsidy/incentive schemes established at national level, providing much stronger incentives to obtain the qualification/accreditation.²¹⁹ For this reason, companies, and especially SME, may be sensitive to the costs generated by the schemes. As the EU legislation only mandates the existence of these schemes, but not their mandatory application, *no regulatory costs can be attributed to EU legislation.*

3.7.4 The Impact of Energy Efficiency Legislation on Construction Product Manufacturers

The present sub-section deals with the impacts of EE legislation on the upper part of the value chain, i.e. on construction product manufacturers. Manufacturing companies were surveyed and asked about their assessment of and the impacts originating from both EE requirements for construction products, systems and buildings, and EE support measures undertaken at national level. The analysis remains qualitative: given the constraints in the retrieval of information from interviewed companies, in agreement with the Client, the Consultants focused the questionnaire for product manufactures on the product-specific legislation (CPR/CPD, EDD, and EED), and only retrieved qualitative information on EE from the sub-set companies which were affected by these measures.

²¹⁶ Cf. IA on EPBD, at p .48. The analysis of national frameworks is provided in Section 7.3.2 of Annex III.

²¹⁷ CA EPBD (2011), Implementing the Energy Performance of Buildings Directive featuring country reports, at p. II-76.

²¹⁸ These schemes shall take into account existing ones, where available, and shall be based on the criteria laid down in Annex IV to the Directive. Annex IV gives MS great flexibility in the organization of the certification and qualification process, provided that it includes training and a final exam. With regard to training, the Annex details the conditions and the content. Article 14(3) require MS to recognize certifications awarded in other MS which comply with these criteria. The OPC confirmed that, in most cases, the installation of RES systems in buildings is carried out by qualified/certified experts.

²¹⁹ The analysis of national frameworks is provided in Section 7.3.3 of Annex III.

Indeed, EE measures are not relevant or equally relevant for all manufacturers. While in principle they all benefit from support measures targeted at EE renovation, at this indirectly increases their market demand, only a subset of them is concerned with EE requirements, depending on the product scope. Ten out of 17 of the interviewed companies reported to be affected by EE requirements. Furthermore, questions on the impact of EE legislation were also included in the survey targeted at construction product associations and other stakeholders, with 16 respondents reporting an impact on their market segments.

About a quarter of respondents signalled a high impact of EE requirements on their sector, and more than one third signalled some impacts; to the contrary, slightly less than 40% of those respondents considered that EE requirements have no or limited impact on their activity. When asked about the MS where the impacts of EE requirements are larger, Germany is the most mentioned, followed by Austria, France, the Netherlands, and the UK. Both stakeholders and companies were also surveyed on the additionality of these requirements compared to BAU market demand. All companies considered the requirements in line or additional compared to market demand; in particular, a majority of them considered them as stricter. As for other stakeholders, a majority considered these requirements stricter than market demand. Based on these findings, EE requirements present a significant degree of additionality, and thus a low BAU factor, from the point of view of the construction product sector. One interviewed company qualified the situation by stating that *'regulation, including support measures, is the main driver of EE in buildings'*.

Stakeholders were also asked about the effect of the EE requirements on turnover and margins. In this respect, stakeholders are split almost equally over positive, neutral and negative answers, and in particular the positive and the negative camps have the same weight in the sample. The view of the companies interviewed – keeping in mind that only those working in a sector affected by EE requirement are among the respondents – are much more upbeat, signalling a positive effect on turnover. Still, interviewed companies cautioned against making a direct link between EE requirements and support measures and the turnover of product manufactures. The market for construction product is affected by many factors, including the general economic situation, and the relative bargaining power of customers, construction companies, and manufacturers. In particular, whether EE requirements translate not only into higher turnover, but also into higher margins for companies is unclear, as this depends on the competition on each market segment and the demand being sufficient to generate economies of scale over a long period. For this reason, respondents pointed out that the stability of the legal framework is an enabler of competitiveness for the construction product industry. Obviously, companies welcomed subsidies and funding for EE renovation provided at MS level, and underlined again that the best working schemes are those stable and long-term.

3.8 Cost Savings of the Late Payments Directive²²⁰

3.8.1 Introduction

Directive 2011/7/EU on combating late payment in commercial transactions (hereafter 'LPD') aims at *reducing payment delays as well as mitigating the negative effects of payments taking place later than agreed*. Whereas no regulatory costs for the construction sector are expected to result from this piece of legislation,²²¹ the LPD is likely to generate benefits for companies operating in the construction value chain. In particular, two benefit items can be identified in the LPD: (i) substantive (financial) cost savings linked to the setting of maximum and default payment terms²²² in transactions with public entities and guidelines for transactions with

²²⁰ This Section summarizes the key results of a more detailed analysis presented in Volume 2, Annex III, Section 8.

²²¹ This conclusion was confirmed by VVA et al. (2015), Ex-post evaluation of LPD, Report for DG GROW, hereinafter 'VVA Study'.

²²² The following terminology is adopted: (i) 'payment term' is the time period set out in the contract and agreed by the two parties to pay a certain invoice; (ii) 'payment delay' is the period going from the expiration of the payment term to the moment in which the payment is received; and (iii) 'payment duration' is the sum of payment term and payment delay

private clients; and (ii) substantive cost savings in the form of reduced litigation costs linked to automatic entitlement to late payment interest.

The scope of the LPD include both business-to-business (B2B) and business-to-public authorities (PA2B) transactions. The LPD, in its current formulation, affects only the very last part of the time period covered by this Assignment, as it is a recast of the Directive 2000/35/EC (hereafter 'LPD 2000') and its transposition was due by 16 March 2013.²²³

The most impactful novelty introduced by the new LPD *is the setting of maximum time limits for the period of payment fixed in contracts with both private and public clients*. According to Article 3 of the LPD, the payment term fixed in B2B contracts should not exceed 60 days, unless expressly agreed otherwise and provided that a longer payment term is not grossly unfair to the creditor. Article 4 establishes a 30-day payment term for PA2B commercial transactions with few exceptions (e.g. contracts with public authorities carrying out economic activities of an industrial or commercial nature, or public authorities providing healthcare), unless expressly agreed otherwise and provided that it is objectively justified in light of the particular nature or features of the contract. At any rate, the PA2B payment term cannot exceed 60 calendar days and, in order to avoid any 'lawful' delay, the date of receipt of the invoice cannot be subject to contractual agreements between the parties.

Compared to the LPD 2000, the new LPD also introduced a higher interest rate for late payment (at least eight percentage points above the 'reference rate')²²⁴ and set out a minimum compensation for recovery costs (lump sum of €40), regardless of higher claims for any additional costs exceeding such minimum amount.²²⁵ These provisions aim at ensuring better compensation to creditors and further discouraging payment delays. Furthermore, the Directive holds as *per se* 'grossly unfair' to the creditor (and hence to be considered void or as giving rise to claim for damages) those terms or practices that exclude interest for late payment or compensation for recovery costs. The LPD also prohibits provisions which grossly deviate from good commercial practices or are inconsistent with the nature of the product or service.²²⁶

3.8.2 Data Analysis

While *payment terms are directly impacted by the provisions laid down in the LPD*, payment delays and the overall payment duration are affected to a greater extent by the general commercial practices adopted in specific sectors and within a given country. National commercial practices play a more central role in those sectors, such as constructions, that are less open to international competition and where suppliers and clients are usually local.²²⁷ In addition, the overall duration of payments largely depends on the relative bargaining power of the interested party vis-à-vis its clients and suppliers.²²⁸

A picture of the average duration of payments made by clients of construction companies is presented in Exhibit 3.17.²²⁹ First, it is apparent that, in the sampled countries, *payments in the construction sector take usually longer than the average B2B and PA2B commercial*

²²³ Information on implementation is provided in Section 8.3 of Annex III.

²²⁴ Article 2, Directive 2011/7/EU.

²²⁵ Article 6, Directive 2011/7/EU.

²²⁶ Article 7, Directive 2011/7/EU.

²²⁷ For further details, see Euler Hermes (2012), Payment periods in Europe: wide gaps.

²²⁸ See Fabbri D. & Klapper F.L. (2013), Bargaining Power and Trade Credit, working paper available at: <http://www.cass.city.ac.uk/media/internals/easy-edit-suite/wym?a=179726>

²²⁹ Further information for the 10 MS covered in depth is provided in Section 8.4 of Annex III, where national sources are also presented.

*transaction.*²³⁰ This evidence is confirmed by all the relevant literature on the topic.²³¹ Second, *the transposition of the LPD seems to have generated a general reduction in payment duration in the construction sector between 2010 and 2014.* Such a reduction has been more marked than in other sectors of the economy. In this respect, Germany and UK represent exceptions, as the days required to obtain a payment grew. This result is in line with comments made by stakeholders.²³² The decreasing trend in payment duration in the construction sector is confirmed by the 2014 Industry White Paper²³³ published by Intrum Justitia. In fact, in 2014, 51% of the payments were received by construction companies within 30 days and this constitutes the best performance over the period 2009-2014.

Exhibit 3.17 Average Payment Duration (in Days) in the Construction Sector and Difference with the Whole Economy

	A. Construction (B2B & PA2B)			B. National payment practices (B2B & PA2B weighted average*)			Construction - Whole economy (A-B)	
	2010	2014	Var. 2010-2014	2010	2014	Var. 2010-2014	2010	2014
<i>Belgium</i>	82	65	-17	58	54	-4	24	11
<i>Denmark</i>	57	n.a.	n.a.	37	34	-3	20	n.a.
<i>France</i>	87	66	-21	61	56	-5	26	10
<i>Germany</i>	41	45	+4	35	34	-1	6	11
<i>Ireland</i>	n.a.	n.a.	n.a.	60	55	-5	n.a.	n.a.
<i>Italy</i>	127	102	-25	103	100	-3	24	2
<i>Poland</i>	n.a.	75	n.a.	35	38	+3	n.a.	37
<i>Romania</i>	n.a.	n.a.	n.a.	n.a.	36	n.a.	n.a.	n.a.
<i>Spain</i>	174	87	-87	103	89	-14	71	-2
<i>United Kingdom</i>	33	55	+22	50	42	-8	-17	13

*Weighted average based on the estimate share of construction of public buildings over total construction of buildings.²³⁴ Source: Euler Hermes for the construction sector and Intrum Justitia for overall national practices.

Notwithstanding improvements in payment duration, *payment delays in the construction sector have increased between 2008 and 2014* both in B2B and PA2B commercial transactions (+53% and +106%, see Exhibit 3.18). This is consistent with feedback from several stakeholders stating that while the LPD had some impact on reducing payment terms (with few exceptions mentioned above), payment delays are still an issue. More specifically, *reductions in payment terms have been partially offset by longer delays.*²³⁵

²³⁰ While national data for the construction sector provided by Euler Hermes do not allow a distinction between B2B and PA2B transactions, cross-sectoral data gathered by Intrum Justitia separate payments made by private clients from those made by public authorities. Hence, to allow a comparison between constructions and other sectors, a weighted average of Intrum Justitia figures is relied upon. More specifically, this weighted average provides an estimate of the potential payment duration in the construction sector under the assumption that the same payment practices adopted in other sectors would apply also to all the commercial transactions involving construction companies.

²³¹ See *i.a.* Cribis D&B (2014), Payment Study 2014; Euler Hermes (2012), Payment periods in Europe: wide gaps; and Intrum Justitia (2014), European Payment Index 2014 - Industry White Paper.

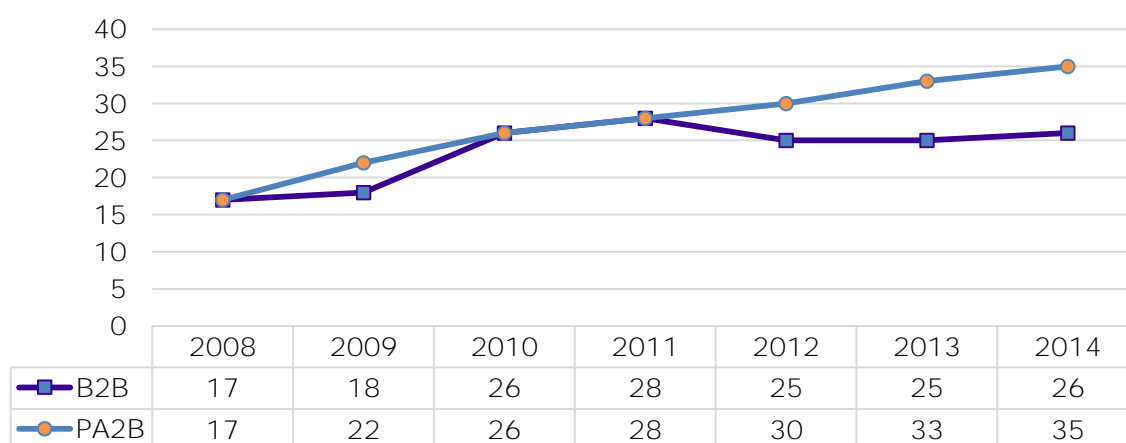
²³² Reportedly, some 'good payers' in countries where rules for the construction sector were stricter than those introduced by the LPD have extended their payment terms toward the maximum time limit allowed by the Directive. For instance, even though the UK Construction Act set a default 17-day payment term, parties tend to negotiate a time limit closer to that envisaged by the LPD.

²³³ Intrum Justitia (2014), European Payment Index 2014 - Industry White Paper.

²³⁴ Elaboration on Eurostat SBS and FIEC (2014), Construction activity in Europe.

²³⁵ Legal payment terms have decreased as a consequence of the introduction of the LPD, which sets the maximum time limits for the period of payment fixed in contracts. Nevertheless, Exhibit 3.17 shows that payment delays have grown, thus partially offsetting the positive effect of shorter payment terms on overall payment durations (i.e. payment term plus payment delay).

Exhibit 3.18 Average Payment Delays in the Construction Sector in Europe (Number of Days)



Note: Sampled countries include all EU countries (with the exception of Luxembourg and Malta) and six third countries (Bosnia-Herzegovina, Norway, Russia, Serbia, Switzerland and Turkey).²³⁶ Source: Intrum Justitia Industry White Paper (2014).

3.8.3 Estimated Benefits Generated by the Late Payments Directive in the Construction Sector

Late payments generate financial costs to companies insofar as they need to find alternative sources of liquidity. To cope with accounting liquidity issues, companies can: (i) resort to internal cash; (ii) delay payments to their suppliers; and (iii) seek access to finance, usually in the form of overdrafts. While internal cash reserves are generally a very limited source of liquidity for companies, all the available evidence shows that construction companies are on average in a very weak bargaining position vis-à-vis their suppliers.²³⁷ This implies that they have to pay their suppliers before they are able to get paid by their clients and that bank credit is their main source of emergency liquidity. Therefore, any marginal reduction in payment delays is reflected in lower interest to be paid on short-term loans. In the same vein, *any increase in payment delays comes at a financial cost.*

Against this background, Exhibit 3.19 provides an estimate of the financial cost savings generated by the reduction in payment duration in the construction sector between 2010 and 2014 registered in selected MS. The following conservative assumptions are adopted: (i) only payments received after 90 days are funded via bank credit, i.e. 17% of the overall payment in 2014;²³⁸ (ii) construction companies have access to finance at the average 2014 national interest rate for revolving loans and overdrafts to non-financial companies;²³⁹ (iii) any reduction/increase in the duration of payments leads to financial savings/costs. **As a result, the experienced decrease in the duration of payments led to financial costs savings of €160 mln.** Interestingly, a one-day reduction in payment duration corresponded to savings for some €17 mln for the sector.

²³⁶ Data from non-EU countries are not used in the proceeding of this section to calculate costs and benefits related to the LPD.

²³⁷ For further details, see Euler Hermes (2012), Payment periods in Europe: wide gaps; cf. *Observatoire des délais de paiement* (various years), *Rapport annuel de l'observatoire des délais de paiement, Banque de France*.

²³⁸ Cf. Intrum Justitia (2014), European Payment Index 2014 - Industry White Paper.

²³⁹ For France, Germany, Italy and Spain: simple interest at a rate equal to the annual interest rate for revolving loans and overdrafts denominated in Euro to non-financial companies; for Belgium and UK: simple interest at a rate equal to the annual interest rate for revolving loans and overdrafts, convenience and extended credit card debt denominated in Euro to non-financial companies. Source: European Central Bank Statistical Data Warehouse.

Exhibit 3.19 Estimated Financial Cost Savings for the Construction Sector

	Variation in payment duration in the construction sector (2010-2014, days)	Payment received later than 90 days* (2014, €mln)	Financial cost savings** (2014, €mln)
<i>Belgium</i>	-17	9,000	-24
<i>France</i>	-21	40,900	-45
<i>Germany</i>	4	35,200	18
<i>Italy</i>	-25	24,000	-83
<i>Spain</i>	-87	14,300	-104
<i>United Kingdom</i>	22	37,300	78
		<i>Total</i>	-160

Source: Authors' elaboration on Euler Hermes (various years) and Eurostat Structural Business Statistics.

The attribution of these benefits to the LPD, and thus to the EU framework, requires a nuanced response. In fact, it is very difficult to isolate the impact of this Directive on changes in payment behaviour from external factors such as the financial crisis and the prevalent business culture. In some cases, the improvement in payment terms resulted from national efforts which preceded the implementation, and even approval, of the LPD. In some other cases, concerted national efforts have been brought about by the need to comply with the Directive. All these factors are likely interlinked and isolating them with certainty is not possible.

As regards countries in which late payments were and are a major issues, in Spain decreasing trends started even before 2011: for instance between 2008 and 2011, payment duration for SME in the construction sector went from 130 to 103 days, that is -21% (see Annex III Exhibit 8.7).²⁴⁰ As mentioned, the revision of the LPD, the presentation of the Commission proposal and the following discussion may have had symbolic function, yet this is an insufficient ground to attribute a significant share of benefits registered in Spain to the EU legislation. At the other side of the spectrum, in Italy a decrease in payment terms has only started after the implementation of the LPD, in 2013. In the Italian case, not only the LPD itself, but also other European Commission actions are considered as crucial determinants of the benefits for the construction sector. Some examples are the subsequent opening of infringement procedures,²⁴¹ the flexibility granted in how to compute payment of the stock of late debts in public deficit statistics,²⁴² and follow-up close monitoring of both payment duration and payment practices by public authorities.²⁴³ For Belgium, information specific to the construction industry show no significant variation from 2013 onwards, pointing out to a less than full role played by EU legislation.²⁴⁴ A mixed case is that of France, whereas Euler Hermes data suggest a reduction on payment duration for the construction sector, while national data, though not fully comparable, suggest a stable trend and largely in line with the LPD requirements over the whole period.²⁴⁵ As in the case of Belgium, the role of the LPD is thus estimated to be limited. In Germany and the UK, to the contrary, payment times have increased, though remaining within the limits set by the LPD. Indeed, the LPD does not prevent national legislation and private parties to agree on shorter payment duration, and as such would seem not to have triggered increase in payment duration. However, stakeholders confirmed that the worsening of the situation is partly attributable to the changes in legislation followed the implementation of the LPD. As in the case of Spain, the LPD have played an expressive role, hence quite limited. Attribution of costs and benefits to the EU framework is shown below in Exhibit 3.20.

²⁴⁰ CEPYME (2015), *Boletín de morosidad y financiación empresarial*. The Commission is considering opening an investigation over certain reporting practices in Spain, cf. <http://archyworldys.com/the-european-commission-will-investigate-whether-spain-meet-deadlines-bill-payment/> (last accessed on August, 2016).

²⁴¹ Cf. Late payments: Commission seeks clarifications from Italy and Slovakia, Brussels, 18.062014, available at: http://europa.eu/rapid/press-release_IP-14-689_en.htm (last accessed on March 2016).

²⁴² Cf. Euractiv, *Direttiva pagamenti: Ue apre a Italia per saldo debiti pregressi*, available at: <http://www.euractiv.it/it/news/norme/6830-direttiva-pagamenti-ue-apre-a-italia-per-saldo-debiti-pregressi-.html> (last accessed on March, 2016).

²⁴³ As reported by stakeholders and confirmed at the Validation Workshop.

²⁴⁴ Graydon (2015), *Comportement de paiement*, Q3 2015.

²⁴⁵ Trends for France were further confirmed by stakeholders at the Validation Workshop.

Exhibit 3.20 Estimated Regulatory Costs and Benefits Attributed to the EU Framework

	Total cost savings (2014, €mln)	Share of attribution	EU cost savings (2014, €mln)
<i>Belgium</i>	-24	50%	-12
<i>France</i>	-45	50%	-22.5
<i>Germany</i>	18	15%	2.7
<i>Italy</i>	-83	100%	-83
<i>Spain</i>	-104	15%	-15.6
<i>United Kingdom</i>	78	15%	11.7
		<i>Total</i>	-118.7

Source: Authors' own elaboration

3.8.4 Litigation Costs

As mentioned above, the LPD is expected to increase legal certainty, thus reducing the recourse to litigation. Nonetheless, while still possible in principle, such hypothesis cannot be confirmed through available secondary data neither for the general economy nor for the construction sector. In this respect, data collected via interviews to construction companies provides an interesting picture. While the majority of the interviewees (57%) is aware that creditors are automatically **entitled to interest for late payment, companies with a larger yearly turnover (above €1 mln) are** on average more informed than smaller companies about the rights enshrined in the LPD. At any rate, 80% of the respondents have never taken clients to court in order to receive interest on late payment. More generally, several respondents stressed that the limited recourse to litigation is not a consequence of the LPD, rather it is a general business practice motivated by the need to keep good relationships with clients. Given these empirical findings, no cost savings concerning reduction of litigation costs can be attributed to the LPD.

3.8.5 Conclusions

Available evidence suggests a general reduction in payment duration in the construction sector between 2010 and 2014 that can be partially attributed to the LPD. The same trend is supported by the analysis of responses from the OPC, especially with respect to payment from public clients.²⁴⁶ In this respect, Germany and UK represent an exception, as an extension of payment terms was registered. However, payment duration in the construction sector is still longer than in other sectors. In addition, payment delays have increased between 2008 and 2014 in both B2B and PA2B commercial transactions and longer delays partially offset improvements in payment terms. Interestingly, stakeholders' view is less optimistic. Reportedly, the impact of the LPD on payment practices has been quite limited and several issues still need to be tackled to combat late payment.

Late payments are proven particularly detrimental for SME due to their limited bargaining power coupled with the typical difficulties they experience when seeking access to finance. In this respect, some of the stakeholders interviewed for this Study explained that SME operating in the construction sector are rarely compensated for costs borne as a result of payment delays. In particular, SME usually do not apply interest to the debtor in fear of endangering future commercial relations. Other stakeholders have also stressed that those companies that operate as sub-contractors (generally SME) are in the worst position within the construction value chain insofar as they are paid with substantial delays by main contractors (usually large companies) whereas they need to pay their suppliers in compliance with payment terms set by the LPD.²⁴⁷ These conclusions have been confirmed by several interviewees operating at different level of the construction value chain.

²⁴⁶ Cf. Annex VII.

²⁴⁷ See NSCC and FMB (2014), *Credit Where Credit Isn't Due* - The Results of the NSCC & FMB Payment Survey 2014; and FFB (2015), *Évolution des délais de paiement dans le bâtiment*.

At any rate, many questions are still open and it is too early to assess the full potential of the LPD for two main reasons. First, as in all MS this Directive applies only to contracts signed after 16 March 2013, a large part of the impacts is not yet registered in official statistics. This is particularly **true for the construction sector where buildings are 'delivered' several months after signing a contract**. Second, the general economic situation is proven to be a key driver for late payments in both B2B and PA2B transactions and, somehow, more impactful than any legislative instrument whether national or European.²⁴⁸ In this respect, the unparalleled economic downturn over the past years and the insolvency of many key players have worsened the issue of late or non-payment, especially in the construction sector where large upfront investment are required.

²⁴⁸ See VVA Study.

4 LEGAL ANALYSIS: COHERENCE OF SELECTED EU ACTS²⁴⁹

4.1 Introduction

The legal analysis presented in this section concerns the coherence within each of the three main groups of EU legal instruments, namely: (i) CPR, EDD, and ELD; (ii) EED, EPBD, and RESD; and (iii) PQD, SD, and LPD. Additionally, some of these pieces of EU legislation are also connected with one another outside these groups, as reflected through the cross-references within the legal text themselves. The following Exhibit systematically lays down any cross-reference that the legal act (or its predecessor) in each column includes to any of the other EU instruments.

Exhibit 4.1 Cross-References in the Retained Acts

	EPBD	EED	RESD	EDD	ELD	CPR	PQD	SD	LPD
EPBD		Rec. 17, Rec. 30, Rec. 59, Art. 5, Art. 9, Art. 16, Art. 17, Art. 24, Art. 27, Annex III	[EPBD 2002] Rec. 17, Rec. 48						
EED	[Dir. 2006/32/EC] Rec. 21, Art. 5, Art. 10, Art. 14, Art. 15		[Dir. 2006/32/EC] Rec. 17						
RESD	Rec. 5, Rec. 6, Art. 9(3)(c), Annex I	Rec. 14, Art. 15, Art. 24							
EDD	Rec. 12	Rec. 58, Rec. 59, Art. 27, Annex III, Annex V	[Dir. 2005/32/EC] Rec. 17		Rec. 2, Rec. 7, Art. 10(3)(a)				
ELD	Rec. 12	Rec. 58, Rec. 63, Art. 6, Art. 27, Annex III			[Dir. 92/75/EEC] Rec. 35				
CPR PQD	Rec. 30		Rec. 50, 51					Rec. 31, Art. 3(1)(d), Art. 4(11), Art. 5(4), Art. 15(2)(d), Art. 17(6)	
SD							Rec. 5, Art. 57, Art. 57a		
LPD									

Source: Authors' own elaboration

²⁴⁹ This Section summarizes the key results of a more detailed analysis presented in Volume 2, Annex IV.

4.2 Instruments Establishing Product or Labelling Requirements: Construction Product Regulation, Ecodesign Directive, and Energy Labelling Directive

The retained acts (and their implementing regulations) include three instruments establishing requirements for construction products, either as product or labelling requirements, namely the Construction Product Regulation (EU) 305/2011 (CPR), Ecodesign Directive 2009/125/EC (EDD) and the Energy Labelling Directive 2010/30/EU (ELD).

4.2.1 Objectives of the Construction Product Regulation, Ecodesign Directive, and Energy Labelling Directive

The objectives of the CPR, ELD and EDD are distinct and considered as largely complementary and coherent. No apparent contradictions between the objectives of CPR, EDD, and ELD were identified in the literature and implementation reports reviewed for this Study.

With respect to the EDD and ELD, which were both adopted in the context of the EU commitment to become a highly energy-efficient and low carbon economy, the 2010 IA of the ELD review considered, but rejected, the option of integrating the ELD and the EDD due to the different nature of the legal instruments. Moreover, during the legislative procedure, it was noted that the EDD and ELD are considered implemented in a coherent way.²⁵⁰ The proposal for a new Energy Labelling Regulation nevertheless includes some provisions aimed at enhancing coherence of the two instruments. The Commission proposal establishes more explicit links and cross-references to the EDD, for instance, by requiring that the ELD label should clearly mention the situations where, because of ecodesign measures under the EDD, products can no longer fall into one of the lower classes.²⁵¹

With respect to the CPR, while the latter establishes rules for the declaration of the performances of the construction products with regard to basic works requirements, such as in relation to their reuse and recyclability, eco-design requirements are considered helpful to address minimum energy and environment-related requirements.²⁵² In spite of this coherence of the objectives of each of the instruments, some concerns are raised. The RPA Study on CPR implementation, the evaluation of the EDD and the interviews held as part of this Study showed that several stakeholders raised concerns about the coherence of the procedures established under the CPR, on the one hand, and the EDD and ELD on the other.²⁵³ During the CPR implementation study, stakeholders were asked whether they considered the CPR consistent with the objectives of other EU policies and strategies in the area of competitiveness, innovation and sustainability. It is remarkable that, while more than half of public authorities and organisations involved in conformity assessment indicated that the CPR is indeed consistent, a significantly smaller proportion of companies (28%) thought this to be the case, with the majority of company respondents (54%) unsure.²⁵⁴ In particular, in relation to sustainability, a majority of stakeholders were of the view that the CPR had not yet translated into a concrete framework in terms of sustainability issues. Moreover, in this context, there is no specific reference to energy efficiency of construction products.

²⁵⁰ Draft Report on the proposal for a Regulation of the European Parliament and of the Council setting a framework for energy efficiency labelling and repealing Directive 2010/30/EU (COM(2015)0341 – C8-0189/2015 – 2015/0149(COD)); Proposal for a Regulation of the European Parliament and of the Council setting a framework for energy efficiency labelling and repealing Directive 2010/30/EU, COM(2015)341; Commission Staff Working Document, Evaluation of the Energy Labelling and Ecodesign Directives, accompanying the document Report from the Commission on the review of Directive 2010/30/EU on the indication of labelling and standard product information of the consumption of energy and other resources by energy-related products, COM(2015)143; hereinafter 'EDD evaluation'.

²⁵¹ ELD Proposal.

²⁵² EDD evaluation, p. 167

²⁵³ See Section 4.2.2 below. Cf. RPA Study, at p. 178. Cf. also EDD Evaluation, p. 25 and ff.

²⁵⁴ RPA Study, at p. 124.

4.2.2 Scope and Definitions in the Construction Product Regulation, Ecodesign Directive, and Energy Labelling Directive

The CPR specifically applies to the placing or making available on the EU market of *construction products*. In contrast, the EDD establishes substantial requirements for energy-related products, while the ELD establishes labelling requirements for *energy-related products*.²⁵⁵

Several categories of construction products, covered by the CPR, can be classified as energy-using or energy-related products under the EDD and ELD. Therefore, the EDD and ELD may potentially affect a number of construction product manufacturers. Existing overlaps between the EDD and CPR for specific product categories currently relate to five product categories, namely solid fuel boilers, (solid fuel) local space heaters and space/water heaters, as regulated by recently adopted Commission Regulations (EU) 2015/1185, 2015/1188, 2015/1189, 813/2013, and 814/2013. Hence, potential impacts are very limited when compared to the whole market for construction products. With respect to windows, the preparatory study for an implementing measure concluded that the adoption of secondary regulation for ecodesign requirements for this product was not recommended.²⁵⁶

The Economic Operators Subject to the Requirements of the CPR, ELD and EDD. The CPR, EDD, and ELD impose obligations on operators who place products or make them available on the EU internal market. Remarkably, the different legal instruments do not use identical definitions of **the 'economic operators' covered by the obligations, even though obligations might apply to the same operators**, as is the case in the new implementing EDD regulation on solid fuel local space heaters. While the definitions in this case do not directly lead to substantial differences and inconsistencies, it is recommended in view of legal clarity to aim at using the same definitions where possible, especially in the situation in which the requirements under the different instruments will apply to the same operator for making the same product available on the market. It should be noted though that no specific concerns were raised by stakeholders, in the context of this Fitness Check, about this difference in definitions. The adverse impact of the inconsistency or any confusion on the part of operators has not been mentioned as a problem in practice.

Compatibility with national requirements. The European Court of Justice clarified, in a recent judgement against Germany, that MS have the right to set performance requirements for construction products, provided that the free movement of products with CE marking is not impeded, which is ensured by hEN.²⁵⁷ As a consequence, national marks cannot be required for placing construction products in a market. As discussed during the Validation Workshop, such outcome was not welcomed by several German business federations of construction product users (e.g. professionals, contractors), for whom abandoning national marks created legal uncertainty and problems with respect to the professional liability for buildings. However, in a follow-up written contribution, a German sectoral association of product manufacturers reported that the **elimination of national requirements brought about some €4 mln per year of savings because of reduced administrative and substantive (testing) costs**.

Specific Consideration of SME. Overall, the three instruments take particular account of the specific situation of SME in the construction sector. Stakeholders do not raise any imbalance or incoherence in the approach taken towards SME under these specific instruments. The CPR refers to the particular importance of SME. In its recital 27, the legislator notes that it is necessary to provide for simplified procedures for the drawing up of DOP in order to alleviate the financial burden of enterprises, in particular SME – which has been established in Chapter VI. Stakeholders confirm in interviews that the CPR is instrumental for SME, as it creates a more level playing field

²⁵⁵ List of ecodesign secondary acts, as of 2.9.2015, https://ec.europa.eu/energy/sites/ener/files/documents/list_of_ecodesign_measures.pdf. List of energy-labelling acts, as of 15.3.2016, **Error. Riferimento a collegamento ipertestuale non valido.** (last accessed on April 2016).

²⁵⁶ Final Report, LOT 32 / Ecodesign of Window Products, June 2015, <http://www.ecodesign-windows.eu/documents.htm> (last accessed on April 2016).

²⁵⁷ CJEU, Judgement of the Court (Tenth Chamber) of 16 October 2014, European Commission v Federal Republic of Germany Case C-100/13.

across MS and ensures access to the markets of the MS in a harmonised manner. Furthermore, the EDD makes specific reference to SME and contains a safeguard in its Article 15 aimed at ensuring that the implementing measures will take specific account of their competitiveness. A similar provision is contained in the ELD in relation to energy labelling requirements. In addition, Article 13 of the EDD contains specific provisions on SME, requiring the Commission to consider them in the context of support programmes or through specific guidelines. Finally, the ELD requires MS to refrain from adopting measures that could impose unnecessarily bureaucratic and unwieldy obligations on the market participants concerned, in particular SME.

4.2.3 Substantive Requirements Established by the Construction Product Regulation, Ecodesign Directive, and Energy Labelling Directive

Several types of stakeholders under previous studies²⁵⁸ and the current Study point to a potential overlap between the procedures established under the *CPR and EDD* for construction products, in particular to parallel routes for CE marking. In relation to *CE marking*, Article 8 CPR specifies that the rules for affixing the CE marking provided for in other applicable legislation shall apply without prejudice to the CE marking requirements under the CPR. The CPR moreover clarifies that, for any construction product covered by a Harmonised Standard (hEN) or for which a European Technical Assessment (ETA) has been issued, the CE marking shall be the only marking that attests conformity of the product with the declared performance. In addition, article 8(2) of the CPR notes that the affixing of a CE marking on a product ensures that the manufacturer takes responsibility for the conformity of the construction product, not only with the declared performance and the requirements of the CPR, but also with applicable requirements in other relevant Union harmonisation legislation providing for its affixing. This ensures that the requirements for CE marking under the CPR and EDD apply in parallel to those construction products that are at the same time considered as energy-related products under the EDD. However, one same CE marking applicable to a product type might have a different meaning, depending on its use.²⁵⁹

Stakeholders' views on the subject are somewhat divided. On the one hand, stakeholders representing the energy and environment sector argue that the EDD and ELD are helpful to address energy and environment-related issues not covered by the CPR. Stakeholders representing the construction sector, on the other hand, express a preference for regulating all requirements applicable to construction products under the CPR to avoid the parallel application of requirements under the CPR and EDD to a same product. The extent of the overlap will concretely depend on the standards and implementing measures adopted under the EDD.

Box 4.1 Overlap between CPR, EDD and ELD – Views from the OPC and other stakeholder contributions

In the OPC, respondents supported the view that performance of construction products, and in particular the methods for its assessment, should remain within the exclusive domain of the CPR. This was also re-iterated in several follow-up contributions submitted by both stakeholder associations and public authorities. It was mentioned that the EDD secondary regulation should adopt the method of performance measurement foreseen in the applicable hEN, if any, to avoid duplication of testing procedures, and thus costs.

Source: OPC – Cf. Annex VII for more details; other stakeholder contributions.

More in detail, the stakeholders interviewed for this Study state that the CPR covers environmental information and data related to construction products, similarly to the information covered by the

²⁵⁸ The RPA Study, at p. 178, notes that: "several stakeholders participating in the consultation noted that there is potentially an overlap between the CPR and the EDD and that such an overlap may be unnecessary, create a cumulative burden and contravene the principle of 'better regulation'".

²⁵⁹ For example, the CE marking for local space heaters may involve responsibility for compliance with the CPR, though only when the product is incorporated in construction works. This would most likely not be the case for portable local space heaters, which would however be subject to the requirements of the EDD.

EDD. Hence, they underline the possibility to adopt energy efficiency and sustainability requirements on the basis of basic requirements 3 and 7 set out in Annex I to the CPR, rather than via EDD. They request that, when such requirements are adopted, priority for the regulation of construction products be given to the CPR route. The construction sector stakeholders add that, in the situation where the EDD route is required to improve the sustainability of the built environment, legislative processes must be consistent and coordinated. So far, Basic Requirements 3 and 7 have not yet been included in any hEN, hence there is yet no estimate of any possible regulatory effect of this overlap. Furthermore, only one product, i.e. solid fuel local space heaters, is covered by both a hEN and an EDD regulation, thus limiting further the current impacts of this overlap. The IA for the implementing regulation for local space heaters, Commission Regulation (EU) 2015/1188, considers a potential overlap with the CPR but notes that no minimum requirements or mandatory information requirements regarding energy efficiency or emissions have thus far been issued under the CPR. The IA positively assesses the need for such requirements on the basis of the EDD. Also Regulation (EU) 2015/1185 explicitly refers to the CPR, in its recital 18, which states that solid fuel local space heaters are covered by **hEN to be used pursuant Article 7 of the CPR. The recital continues that: "for the sake of legal certainty and simplification, it is appropriate for the corresponding hEN to be revised in order to reflect the ecodesign requirements established by this Regulation."** In the case of solid fuel local space heaters, there is thus a clear simultaneous application of the requirements under the CPR and the EDD. However, as discussed previously, it is important to analyse whether such overlaps result in a lack of coherence between both instruments.

First, even though the objectives of both the CPR and EDD are considered distinct but complementary, some practical issues have been raised at several instances by stakeholders due to the fact that five categories of products have thus far been considered both construction products and energy-related products. Stakeholders note, for example, that the implementing regulation under the EDD might go into much more detail about the characteristics of the product or while the standard under the CPR foresees one test for each essential requirement, the EDD may provide for more. Another stakeholder refers in this context specifically to the fact that the Declaration of conformity is usually quite different from the DOP and concludes this creates confusion among producers, in particular among SME. The RPA Study noted similar issues as those raised by stakeholders above.²⁶⁰ In no cases, stakeholders could provide any qualitative or quantitative estimate of the effects of this problem, which remains *in fieri* and whose potential effects are yet to materialise.

Secondly, the integration of ecodesign requirements established under the EDD into a simultaneously applicable hEN under the CPR, as suggested in Recital 18 of Regulation (EU) 2015/1185, aims at reducing the administrative burden for operators and enhancing coherence between the procedures under both legal instruments, while ensuring that compliance can be guaranteed with the requirements under and specific objectives of each of the separate legal instruments. This integration process would aim to meet the concerns of manufacturers related to similar parallel requirements under a hEN and ecodesign requirements. The adoption or modification of hEN is however a lengthy process and is not a sole competence of the European Commission. Close collaboration will be required between the European Commission and the European Standardisation Organisations. Finally, ecodesign requirements will have to be integrated with an applicable standard, when adopted, for every product category.

Finally, stakeholders point to the lack of explicit *cross-references* to the energy-related product legislation in the CPR. Similar concerns were previously expressed about the EDD and ELD. These were addressed in the proposal for a new Energy Labelling Regulation, which has been identified as an important improvement by the EP. A similar introduction of explicit cross-references to the EDD and ELD in the CPR for construction products may prove necessary to enhance the understanding of obligations applicable to economic operators in the construction sector. At the same time, they pointed out to no major cost effects of the lack of cross-references.

²⁶⁰ RPA Study, at p. 178.

EDD and ELD. While potential *overlaps* clearly exist between EDD and ELD instruments, these might not necessarily create a problem of legal coherence in the overall regulatory framework. The EP Draft Report on the proposal for a new energy labelling Regulation, which intends to repeal **Directive 2010/30/EU, confirms that “the ELD has developed its operational life within a system of interrelated directives and regulations. Its closest relationship is with the EDD, both of them addressing issues at on opposite ends of the market for energy-related products, in a coordinated, complementary way.”**²⁶¹ In relation to the declarations of conformity under the EDD and technical documentation under the ELD, the opinion of the EP is in line with most sources of information considered in this analysis, such as the preparatory and evaluation studies for reviewing the respective pieces of legislation and stakeholder views collected through interviews and a survey with manufacturers. The declaration of conformity under the EDD and the technical documentation under the ELD are considered coherent instruments, each serving specific and complementary objectives.

Framework for Establishing Product Requirements. The CPR, EDD and ELD use different types of instruments for establishing the technical specifications which a product category must meet to enter the EU market.²⁶² However, as there is a system to ensure that the different rules are taken into account, no specific issues of coherence were raised particularly in this respect by stakeholders. It is noted, though, that the timeframes for preparing technical specifications can be lengthy.

Surveillance of Products on the Market. Article 28 CPR implements a system of AVCP of construction products. In addition, the EDD contains similar measures, on the basis of which a MS may oblige a manufacturer to make the product comply with the requirements of the implementing measure for the product. Similar requirements have been set out in the ELD in relation to the provisions on energy labelling. Interviews with stakeholders and the literature review have not identified specific problems of coherence with the enforcement provisions of the three instruments.

4.2.4 Conclusions

The *objectives* of the CPR, ELD and EDD are clearly distinct and are mostly considered complementary and coherent. The CPR aims to eliminate barriers in the EU internal market. The EDD has the same objective and also aims at reducing the overall negative impact of products placed on the EU market in the perspective of sustainable development. The ELD complements the EDD by setting a framework for the labelling and the provision of information regarding energy consumption.

The different legal instruments do not use identical *definitions* of economic operators covered by the obligations. This could be problematic given the fact that the obligations established by each of the instruments might apply to the same operators, as is the case in the new implementing regulation on solid fuel space heaters. While in this case the definitions do not directly lead to substantial differences and inconsistencies, it is recommended, for legal clarity, to use the same definitions where possible, especially in the situation in which the requirements under the different instruments will apply to a same operator for making one same product available on the market.

²⁶¹ European Parliament, Draft Report on the proposal for a regulation of the European Parliament and of the Council setting a framework for energy efficiency labelling and repealing Directive 2010/30/EU (COM(2015)0341 – C8-0189/2015 – 2015/0149(COD))

²⁶² The CPR lays down conditions for the placing or making available on the EU market of construction products by establishing harmonised rules on how to express the performance of such products. To this end, the CPR relies on harmonised technical specifications, which can take the form of existing harmonised standards or a new ETA which sets out the test methods to be used for the products covered by them. Ecodesign requirements under the EDD are established through implementing measures or self-regulation measures for a specific product category. Implementing measures are adopted following an IA and detailed study, including sector consultations. Annex VII EDD ensures that these measures shall refer to existing EU harmonised standards which shall be used for the assessments. Similarly to the EDD, the ELD requires delegated acts to be adopted.

The *substantial requirements* under the EDD and ELD are mostly considered coherent and complementary. Several stakeholders, however, point to a potential overlap between the procedures established under the CPR and EDD for construction products. There are currently five *product categories*, for which implementing regulations have been adopted under the EDD which can be considered construction products if incorporated in construction works, namely solid fuel boilers, (solid fuel) local space heaters and space/water heaters. In one case, for solid fuel local space heaters, a product is covered by both a hEN under the CPR and EDD requirements. It should be noted though that this issue could expand to other product categories when new secondary regulations are adopted under the EDD. At this point in time, no integration of ecodesign requirements in standards has been finalized, though discussions to this end are ongoing. Finally, it is important to note that the parallel routes toward CE marking do not result in several CE markings. The CE marking is harmonised across the EU market and Article 8(2) CPR ensures that the affixing of the CE marking entails the assumption of responsibility by the manufacturer of compliance with CE marking requirements under not only the CPR, but also under other EU legislation.

The shortcomings identified above are, based on the available information, not expected to generate substantial costs, or to significantly affect the performance of the sector.

4.2.5 Impact on the Performance of the Construction Sector

So far, EDD secondary regulations have been approved for five construction products, with one – solid fuel space heaters – being covered by both EDD requirements and a hEN.²⁶³ The relevant EDD secondary regulation invites to revise the hEN. The call, however, is only mentioned in the recitals, without the hEN revision process being coordinated with the legislative procedure. Stakeholders in the construction product industry have been criticizing this overlap, and the other possible overlaps which may arise in the future if the scope of the EDD and the ELD is widened to other construction products covered by hEN. Construction product manufacturers, being familiar with the CPR and mainly considering the CPR as working well, clearly prefer that construction products are only regulated by the CPR. As a result, energy efficiency requirements could be developed within the current standardisation process based on Basic Requirements, as defined in Annex I to the CPR. Construction product manufacturers consider that having construction products subject to EDD and ELD requirements would create unnecessary and duplicated burdens. In addition, the possibility to CE mark products under both the EDD and the CPR would lead to confusion in the market with regard to the real meaning of CE marking. Importantly, the meaning was clarified only recently with the introduction of the CPR. All in all, based on the information examined, this overlap should not generate substantial costs, and significantly affect the performance of the sector. Nonetheless, this is a clear example of how regulatory requirements are unnecessarily duplicated, contrary to Better Regulation principles.

4.3 Energy-Efficiency Instruments Related to the Construction Sector: Energy Efficiency Directive, Energy Performance of Buildings Directive, and Renewable Energy Sources Directive

The retained acts include three pieces of energy efficiency legislation that impact the construction sector, namely Directive 2012/27/EU (EED), Directive 2010/31/EU (EPBD) and Directive 2009/28/EC (RESO).

4.3.1 Objectives of the Energy Efficiency Directive, Energy Performance of Buildings Directive, and Renewable Energy Sources Directive

The EED, EPBD and RESO were all enacted in the context of the EU commitment to become a highly energy-efficient and low carbon economy. As buildings enshrine a large energy saving potential, all the three Directives aim – to a higher or lesser degree – at tapping this potential.

²⁶³ As this overlap came into existence in 2015, while the Study focuses on costs and benefits during the 2005-2014 period, it is not attributed any cost in the economic analysis.

Therefore, the energy efficiency objectives in these three Directives are compatible and coherent.

The EPBD, EED and RESD all have the common goal to reduce energy consumption and CO₂ emissions – the EED and the RESD targeting the economy in general and the EPBD focusing on buildings – and to achieve the 20-20-20 targets by promoting energy efficiency and use of RES. From a legal perspective, the texts are therefore considered coherent with regards to their general objectives and can certainly complement each other to achieve their respective goals. This was corroborated in the recent 2015 public consultation on the EPBD, where the majority of **respondents stated that RES and energy efficiency measures “face similar barriers and can generate synergies in [...] implementation”**.²⁶⁴ Many respondents to the 2015 public consultation on the EED have also stressed that, in general, the pieces of legislation on energy efficiency seem to work well with each other. For example, it has been said that **“[t]he EED has worked to complement other legislation and works well as a framework directive creating synergies.”**²⁶⁵

Although the synergies between the EPBD, EED and RESD are mainly positive, there is also a potential compatibility issue between these three Directives due to the interactions between **energy efficiency and RES in buildings: “as buildings become more energy efficient, each additional energy efficiency measure will have diminishing (energy and carbon saving) returns, and renewable energy becomes relatively more cost effective”**.²⁶⁶ According to the CA, as long as there is dialogue between policymakers and stakeholders at the EU and national level on the appropriate balance between building-related energy efficiency and renewable energy technologies, this potential compatibility issue can be partially addressed. However, the fact that in almost half of MS the decision makers and officials responsible for implementing building regulation aspects of the RESD/EED and the EPBD were employed in different ministries constitutes an obstacle.²⁶⁷

4.3.2 Scope and Definitions in the Energy Efficiency Directive, Energy Performance of Buildings Directive, and Renewable Energy Sources Directive

Scope. The Study does not show any inconsistency in the *scope of the three instruments*. The EED is seen as providing the general framework for energy efficiency, also in areas where other Directives go into more detail, such as on buildings and products. With regard to buildings, the main pieces of legislation are in particular the EPBD and the RESD that work together with the EED. The following figure illustrates this relationship.

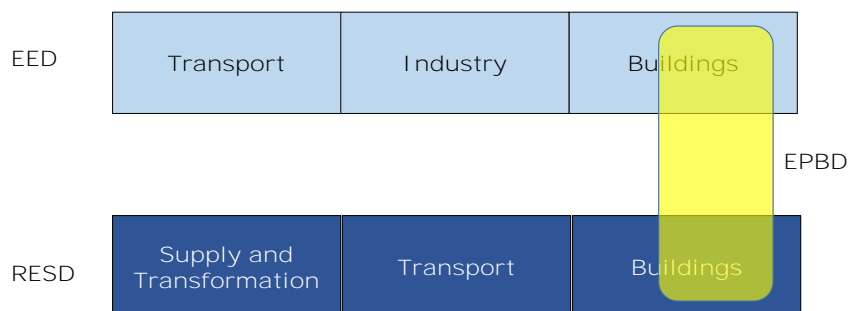
²⁶⁴ See the answers to question 38 in the EPBD Public Consultation.

²⁶⁵ See the reaction of EuroACE to question 1.2 of the 2015 EED Public Consultation.

²⁶⁶ See: CA-RES, WG 4. RES and district heating available at: https://ec.europa.eu/energy/intelligent/projects/sites/iee-projects/files/projects/documents/ca-res_working_group_publication_no_4_en.pdf. (last accessed on April, 2016). See also the example of Sweden. According to Göteborg Energi AB (in their answer to question 1.2 of the 2015 public consultation on the EED), **“there is a conflict between RESD and EED. The RESD, supported by EPBD, promotes the use of renewables for heating buildings. In Swedish district heating systems, the main sources of heat are renewables and recovered heat from CHP, waste-to-energy (often co-generation) and industrial waste heat. We believe that priority should be given to recovered heat rather than renewables, since renewables can be put to use elsewhere, which is not the case with recovered heat. The Swedish implementation has put renewables higher than recovered heat, which in practice puts district heating to a disadvantage in comparison to individual heating based on electricity.”** The same concern is heard by the Finnish Forest Industries Federation: **“EED overlaps the RES target and GHG target. One target which should be GHG target would be optimal solution because then companies and countries could choose the most efficient way to reduce greenhouse gases”. Further, the Confederation of Swedish Enterprise has supported the one target-approach, and thinks that the climate target should be the superior target.**

²⁶⁷ FEDARENE stated the following during the 2015 EED Public Consultation, with regard to question 1.2: **“An example of the kind of problems that can occur is where different government departments or other public bodies are made responsible for the implementation of different, but overlapping or synergistic legislation, and do not coordinate effectively at national or regional level. For this reason, it would be useful to ‘tidy up’ the legislation at EU level, and make the links and connections clearer, while at the same time checking for full coherence and for any potential contradictions or misinterpretations.”**

Exhibit 4.2 Link Between EED, EPBD and RESD



Source : SEAI / CA EPBD III²⁶⁸

Application to SME. The three Directives have considered SME in their scope of application, either explicitly or implicitly. As for the EPBD, neither its recitals (except for recital 19 of the EPBD, which refers to financial instruments) nor any of its provisions refer to SME. The IA on the EPBD does not include either a section on the impact of the Directive on SME. However, as the Directive is explicitly directed to the construction sector, where SME represent about 94% of firms, the EPBD implicitly pays specific attention to them. The RESD acknowledges, in its recitals 3 and 4, that its provisions specifically impact SME. Also Article 14 of the RESD, which deals with training and certification of RES installers, is particularly important for SME: building owners will need the **"professional guidance, technical advice and sales services of the large community of experienced and trained construction crafts and SME throughout Europe, which need to become 'energy advisors'."**²⁶⁹ A particular mention of SME in Article 14 is not provided. Also, the IA on the RESD does not mention SME. **The EED, finally, explicitly refers to the fact that "[m]ost Union businesses are SME" and that, therefore, special help is needed for SME to adopt energy efficiency measures,** for example MS are obliged to develop programmes to encourage SME to have energy audits (Article 8). The impact of the energy efficiency goals laid down in the EED on SME is largely dealt with within the Directive itself.²⁷⁰ Also the IA on EED regularly refers the specificities of SME.

Definitions. Inconsistencies have emerged regarding the definitions used in the EED, EPBD and RESD, although their practical impact appears to be minimal.

- **Energy. All three Directives make extensive use of the words 'energy', 'primary energy', 'energy from renewable sources' (or renewable energy) and 'energy efficiency', but these terms are not defined in each act, and it is not straightforward why this is not the case. The EED, for example, includes provisions on 'primary energy savings' and 'primary energy consumption' but 'primary energy' is not defined, nor there is a cross-reference to this definition in the EPBD. The definition of 'energy', on the other hand, is only explicitly provided for in the EED. 'Energy from renewable sources' is defined in both the EPBD and the RESD (but not in the EED) and these definitions are literally the same, hence not leading to any incoherence problem. However, all three legal instruments also use the terms 'renewable energy sources' and 'renewable energy' (even within the EED's 'energy' definition), instead of opting for a consistent terminology. Further, while the EED provides for a definition of 'energy efficiency', an explicit definition – or a cross-reference to the EED**

²⁶⁸ J. Magyar (2014), CA EED – Core Theme 6, CA EPBD meeting in Dubrovnik – outcomes on co-ordinated approaches to training and accreditation of experts (EPBD recast Article 17 and EED Article 16).

²⁶⁹ UEAPME (2008) Position of the UEAPME Construction Forum on "Directive on the promotion of the use of energy from renewable sources" (COM/2008/19).

²⁷⁰ Additionally, the EED, which includes a definition of SME in Article 2(26), makes a cross-reference to the definition adopted in the Commission Recommendation 2003/361/EC concerning the definition of micro and SME – hereby enhancing horizontal coherence.

- has not been included in the EPBD or the RESD, even though the term is used multiple times throughout these two directives.
- Buildings. The EPBD, the EED, and the RESD include provisions applying to buildings. The EPBD includes definitions related to 'building', 'building envelope', 'building unit' and 'building element' (Art. 2). The term 'building' is not defined in both the EED and the RESD, even though this word is used throughout.
- New buildings. While the EPBD defines the term 'building', it does not include a definition or description of what may constitute a 'new building' – to which article 6 is devoted. No confusion or interpretation issues with regard to this term have however been reported.
- Renovations. 'Major renovation' is defined in Article 2(10) of the EPBD as "the renovation of a building where: (a) the total cost of the renovation relating to the building envelope or the technical building systems is higher than 25 % of the value of the building, excluding the value of the land upon which the building is situated; or (b) more than 25 % of the surface of the building envelope undergoes renovation."²⁷¹ With regard to the definition of 'major renovation', the EED correctly makes a cross-reference to the EPBD, while the RESD uses the term, but does not provide any cross-reference. The EED further uses other terms similar to major renovation, such as 'substantial refurbishment', 'deep renovation' and 'comprehensive renovation'. The first of these terms is defined in Article 2(44) EED, but a definition of 'comprehensive renovation' is lacking and a clear definition of 'deep renovation' can only be found in recital 16 and the Article 6 guidance document. This guidance document states the following: "Although 'deep renovations' are not defined in the Directive, Recital 16 refers to them as renovations 'which lead to a refurbishment that reduces both the delivered and the final energy consumption of a building by a significant percentage compared with the pre-renovation levels leading to a very high energy performance.' This implies that such renovations must at least go beyond the minimum efficiency requirements set under the EPBD." The term 'deep renovation', used in the EED, is explained by the Commission by making a direct reference to the EPBD, hence creating an unmistakable link between the EED and the EPBD.

While a greater consistency would be certainly desirable from a strictly legal point of view, neither the literature and jurisprudence reviewed nor the stakeholders consulted, have highlighted situations in which definition-related issues have resulted in any tangible consequence for construction sector operators.

Some stakeholders, in the public consultation on the review of progress on the 2020 energy efficiency objective, called for a revision of the EPBD and relevant parts of the EED "to include a measurable definition of deep renovations and a quantifiable objective to accelerate deep renovations of residential and tertiary buildings".²⁷² Related hereto, also an EU-wide definition of 'staged deep renovation' would be welcomed by energy efficient stakeholders, as there are different definitions at MS level.²⁷³ The need for aligning the definition of 'renovation' was also mentioned by several respondents to the OPC and in follow-up stakeholder contributions. However, construction sector operators appear to have a more lukewarm attitude, as some fear that such definition may not be easily adaptable to the different country contexts, preferring to rely on common business practice (based upon costs of the work, complication of the work, historical elements of the building, need for specialised staff, etc.). The question of what a definition of 'deep renovation' (or refurbishment or retrofit) at EU level could be has been tackled by, inter alia, the Global Buildings Performance Network. According to its research, "the definition of deep renovation varies between the regions. In Europe most definitions focus on heating, cooling, ventilation and hot water and the general understanding is that these should lead to an

²⁷¹ Recital 16 of the EPBD explains this definition by stating that "MS should be able to choose to define a 'major renovation' either in terms of a percentage of the surface of the building envelope or in terms of the value of the building."

²⁷² European Commission (2014), Report of the public consultation on the review of progress on the 2020 energy efficiency objective, at p.9 available at: https://ec.europa.eu/energy/sites/ener/files/documents/2014_summary_report_energy2020.pdf (last accessed in May 2016).

²⁷³ Ecofys, Public Consultation on the Evaluation of the EPBD, Final Report, Nov. 2015.

improvement of at least 75 % in the before and after performances of the treated building”.²⁷⁴

Notably, the majority of construction stakeholders interviewed during the course of this study have pointed out that any definition of major or deep renovation may well be in line with national legislation, but does not necessarily comply with common business practice. For construction companies, a major renovation is simply a renovation work that implies considerable costs or a complicated renovation work, for example because the historical elements of the building are imposing some limits, or because highly specialised staff or highly technological solutions are required.

4.3.3 Substantive Requirements Established by the Energy Efficiency Directive, Energy Performance of Buildings Directive, and Renewable Energy Sources Directive

Several areas can be identified where the EED, EPBD and RESD may potentially overlap or create synergies. Here below, three areas are devoted to a specific analysis: (i) public buildings; (ii) certification of buildings and building units; and (iii) accreditation and trainings of experts.

Public Buildings. The EED, EPBD and RESD all include provisions in relation to: (i) public buildings and/or buildings owned by the central government; and (ii) the exemplary role of the public sector in the area of energy efficiency. Art. 5 of the EED stipulates that central governments should play an exemplary role in energy efficiency through the renovation of the buildings that they own or occupy and which do not meet the minimum efficiency requirements set under the EPBD (Article 4 and Annex I). The article also contains obligations for MS to encourage public bodies at regional and local level **to follow the central government’s exemplary role (art.5 (7)).**²⁷⁵ **Article 13 of the EPBD relates to the issuance and display of the public authorities’ EPC, while Article 11 urges the public authorities to lead by example as for the implementation of the recommendations included in the EPC.** The exemplary role of public buildings (this time with regard to the use of renewable energy technologies) is further emphasised in Article 13(5) of the RESD. **As the three Directives all emphasise the exemplary role of public bodies’ buildings,** there is some overlap between the legislative provisions for public buildings, but, in practice, many stakeholders have emphasised their positive synergies, especially in relation to the energy efficiency of public buildings and public purchases.²⁷⁶ However, some stakeholders stated during the 2015 public consultation that the EED has clear overlaps with the EPBD, especially with regard **to the exemplary role of public bodies’ buildings, suggesting that the related provisions do not work together but instead work in parallel to each other.**²⁷⁷ **Therefore, a “thorough harmonization and coordination” is asked for by these stakeholders.**

Schemes Related to the Assessment of a Building (Unit). Both the EED and the EPBD include provisions on the assessment of the energy performance / energy consumption of a building / building unit. In the two acts, four different schemes are set up to assess the energy efficiency of a building (unit) by an expert.²⁷⁸ These schemes are as follows:

- EPC of residential buildings
- inspection of heating systems
- inspection of air-conditioning systems
- energy audit of large companies, which can include their buildings.

The Commission guidance note on Article 8 of the EED²⁷⁹ already explored the synergies (and

²⁷⁴ Schnapp, S., Gibert, R.S. and C. Higgins (2013), *How can we renovate deeply if we don’t know what that is?*, ECEEE Summer Study proceedings, pp. 1617 and ff., at p. 1617.

²⁷⁵ CA EED (2014), *Following central government exemplary role in building renovation*, Executive Summary Report 2.3, Core Theme 2 - Public Sector: public buildings and public purchasing, Working Group 3.

²⁷⁶ See the answers respondents to question 1.2 of the 2015 EED Public Consultation.

²⁷⁷ See the reactions to question 1.2 of the 2015 EED Public Consultation.

²⁷⁸ A fifth scheme, the voluntary energy performance certification of non-residential buildings under 11(9) of EPBD, has not yet been adopted.

²⁷⁹ Commission Staff Working Document, *Guidance note on Directive 2012/27/EU on energy efficiency, amending Directives 2009/125/EC and 2010/30/EC, and repealing Directives 2004/8/EC and 2006/32/EC, Article 8: Energy audits and energy management systems*, Accompanying the Communication from the

encourages MS to explore the synergies) between the EPBD and the EED in this regard. The document noted that while the previous directive on energy end-use and services granted the **equivalence between the EPBD EPC and the energy audit, this is no longer case, as** “in recognition of the wider scope of energy audits under Article 8 of the EED, the EED no longer keeps this **equivalence.**”²⁸⁰ Indeed, EED-mandated energy audits are wider in scope, and are based on actual **consumption data. However, “it is possible that in specific cases [...] certification and/or inspections under the EPBD in a given MS may fulfil the requirements of Article 8 and Annex VI of the EED.”**²⁸¹The overlap between EED energy audits and EPBD EPC was also underlined by several respondents to the OPC. **The CA EPBD stressed that “[o]n the one hand, inspections tend to be seen not only as a check of proper maintenance, but also as an assessment of the energy efficiency of the systems. On the other hand, the system performance is assessed as part of the overall building performance [...]. There are several interactions that might occur between maintenance, inspections and certification procedures”**²⁸².

Harmonization and coordination at a practical and national level is, nonetheless, not straightforward. In most countries, regular inspections / certifications and energy audits are managed by different public authorities and under different legislation.²⁸³ The establishment, at national or regional level, of 'one-stop-shops' for delivering independent, tailor-made advice to homeowners, covering both technical and financial aspects of energy efficiency is therefore to be advocated. Further, according to CA EPBD, the regular inspection procedure is generally well-defined, while the audit procedure has not yet been properly established in many MS. Additionally, reporting templates for inspections and energy audits are different, reflecting their different purposes and procedures. Indeed, the content and methods of the EPC, the inspection reports and the energy audits differ as to their technical difficulty and complexity.²⁸⁴ Nevertheless, respondents to the 2015 public consultation on the EPBD have suggested to link inspections with the energy audit requirements and the energy service providers laid down in the EED.²⁸⁵ The question of possible inconsistencies in national implementation of provisions on EPCs, in the EPBD, and of energy audits, in the EED was addressed in the Commission Communication on implementing the Energy Efficiency Directive²⁸⁶ and its accompanying Staff Working Document SWD (2013)447, where the link between the obligations on energy audits in large enterprises and the obligations to issue Energy Performance Certificate for buildings for rent or sale are explained. The SWD provides guidance for MS to ensure that national transposition measures exploit synergies between both pieces of legislation.

To conclude, the Commission has undertaken efforts to highlight the synergies between the EPBD and the EED related to energy efficiency audits but harmonization and coordination at the national level of EPCs should be further enforced. However, as the obligations regarding the certification of buildings and building units typically fall on the owners, the above considerations have limited impact on construction firms, whereas the lack of coordination among the various schemes may **'artificially' increase the revenues of the professionals involved in certification activities.**

Accreditation and Training of Experts. The EPBD, EED and RESD all create legal obligations for MS to ensure that the experts, inspectors, energy auditors and installers may have the necessary accreditations and qualifications. The importance of training the experts is also underlined. However, where certification in the EPBD, and to some extent the RESD, covers a subset of the energy professions that can be certified under the EED, the qualification/accreditation schemes may overlap to a rather large extent. In addition, qualification

Commission, Implementing the Energy Efficiency Directive – Commission Guidance, SWD(2013)447. Hereinafter 'EED Commission Guidance'.

²⁸⁰ *Ibid.* at §8.

²⁸¹ *Ibid.* at §9.

²⁸² CA EPBD (2010), Certification – Core Theme 1.

²⁸³ *Ibid.*

²⁸⁴ See also on the differences between the inspections and the audits: B. Young (2014), Core Theme 2, 6th Energy Efficiency Co-ordination Group Meeting, CA EPBD.

²⁸⁵ See the answers to question 75 and question 76 in the EPBD Public Consultation.

²⁸⁶ COM (2013)762 final.

and training remains a competence of MS, leading to different approaches with regard to the accreditation and/or qualification schemes and to the training programmes. Also the certification and qualification schemes for installers of small-scale RES in buildings are very diverse from one MS to another. The lack of a better coordination may result in entry costs, and thus barriers, in the various markets for professionals.

The Commission guidance note on Article 8 of the EED²⁸⁷ explicitly states that synergies should be explored and consistency should be ensured between the qualification/certification criteria and schemes of the EED and the EPBD. **The CA EPBD has recognised that there are “significant potential interactions or intersections between the obligations and needs to be addressed by provisions in both the EPBD and EED regarding training, accreditation, certification and registration of experts”²⁸⁸. Moreover, there is not only synergy, but also overlap “where certification in the EPBD, and to some extent the RESD, covers a subset of the energy professions that can be certified under the EED”²⁸⁹.** This hangs closely together with the following two considerations:

- **The EPBD increasingly focuses on the integration of RES when calculating the ‘minimum requirements of energy performance of buildings’.**²⁹⁰
- The scope of the EED is much wider than the scope of the EPBD and energy auditing, hence, requires a wider range of professional experience and broader knowledge than inspections alone. The EPBD experts are thus a subset of and may provide useful input to the energy audits in the EED. For example, it is possible for qualified energy auditors in the framework of the EED to be recognised as qualified experts to deliver EPC of buildings. Qualified experts to deliver EPC of buildings could thus be targeted for training to become qualified energy auditors.²⁹¹

All qualification/accreditation schemes and training programmes can have the same basis, but differ in the details. There is, hence, the possibility to create true synergies and avoid duplicated efforts. The different accreditation/qualification schemes and modalities foreseen in all three Directives correspond to different needs. One important recommendation, in order to create synergies is to work upon one harmonised set of definitions with regard to schemes for quality assurance. These schemes now have different names (including certification, qualification, label and accreditation) – at EU level and at national level - and the meaning of these words can be quite different from one country to another.²⁹²

However, also in this case, harmonization and coordination at MS level is not straightforward. Qualification and training remains a competence of MS and, in most MS, different ministries are responsible for the various qualifications. Furthermore, the existing certification and qualification schemes for installers of small-scale RES systems in buildings are so diverse among themselves that any harmonization with the schemes and training programmes foreseen under the EED and EPBD is impeded.

To conclude, there is a high potential for overlap between the EED, EPBD and, partly, RESD with regard to the accreditation and training systems for experts. Further coordination and integration, at EU and at national level, is recommended.

4.3.4 Conclusions

The comparative analysis of the EED, EPBD and RESD confirms that there is great synergy with regard to their objectives. The conclusion that external coherence does not raise a major issue

²⁸⁷ Cf. EED Commission Guidance

²⁸⁸ CA EPBD (2015), Training – Overview and Outcomes.

²⁸⁹ CA EED (2015), Consumer information programmes, training and certification of professionals.

²⁹⁰ CA EPBD (2015), Training – Overview and Outcomes.

²⁹¹ EED Commission Guidance

²⁹² This recommendation has also been given by ADEME with regard to the RES industry. See ADEME (2012), QualiCert Publishable report - Quality certification & accreditation for installers of small-scale renewable energy systems, supported by Intelligent Energy Europe.

fits with the conclusions of the Public Consultation on the EPBD and with the EPBD Evaluation Study.

There are some important overlaps between the EED, EPBD and RESD which may impact on the construction sector. Further to the differences in definitions and scope, the most important issue relates to the certification of buildings and building units (EPC, inspections and energy audits), and their related certification/qualification schemes and training programmes. Due to the existence of some overlaps with regard to the more substantive requirements of the EED, EPBD and RESD, a number of stakeholders suggest fully integrating the energy performance of buildings in the EED²⁹³ or to have only one directive entirely focusing on buildings (i.e. separating the EED into two directives – one for industry and another one for the building sector)²⁹⁴, due to the varying nature of the different sectors covered under the EED. The report on the 2014 public consultation on the review of progress on the 2020 energy efficiency objective, in turn, suggests that the building-related provisions of the EED (i.e. Articles 4 and 5) should be incorporated in the **EPBD to have a "single and powerful policy instrument"**.²⁹⁵ Similarly to this suggestion, the report on the 2015 EPBD public consultation states that a single and robust renovation strategy should **be required, "rather than provisions under EPBD and under EED separately and linking to each other"**.²⁹⁶ On the whole, numerous stakeholders are of the opinion that it is confusing that the energy performance of buildings is targeted in three different directives.

4.3.5 Impacts on the Performance of the Construction Sector

Both the EED and the EPBD regulate how the energy performance or consumption of a building or building system is to be assessed. In particular, the two directives provide for four schemes, namely: (i) the EPC of residential buildings; (ii) reports on the inspection of heating systems; (iii) reports on the inspection of air-conditioning systems; and (iv) energy audits of large companies. As energy audits are larger in scope than the EPC, under the current guidance documents the two schemes are no longer equivalent. This overlap can produce at least three different effects which are not necessarily negative for the construction sector. In particular, this may create: (i) costs of familiarisation for experts; (ii) additional revenues for experts; and (iii) costs for construction companies.²⁹⁷

Furthermore, the guidance note of the EED explicitly states with regard to the accreditation and training of experts that synergies should be explored and consistency ensured between the qualification/certification criteria and schemes under the EED and the EPBD. In addition, synergies are also possible with the accreditation and training of RESD experts. The existing potential for synergies, however, is still untapped. In particular, qualification/accreditation schemes and training programmes are not required to have a common basis and are adapted to the various categories of energy efficiency building experts through a modular structure. As a result, the schemes are different for each category, and in some cases even managed by different public administrations at national/regional level. Once again, in the absence of a better coordination entry costs, and thus barriers, may arise in the various markets for professionals.

²⁹³ See the reactions to question 1.2 of the 2015 EED public consultation. See also: Report of the public consultation on the review of progress on the 2020 energy efficiency objective, 2014, available at: https://ec.europa.eu/energy/sites/ener/files/documents/2014_summary_report_energy2020.pdf

²⁹⁴ Anonymous contribution to question 1.2 of the 2015 EED public consultation.

²⁹⁵ European Commission (2014), Report of the public consultation on the review of progress on the 2020 energy efficiency objective, available at: https://ec.europa.eu/energy/sites/ener/files/documents/2014_summary_report_energy2020.pdf (last accessed on May 2016).

²⁹⁶ EPBD Evaluation Study, at p. 160.

²⁹⁷ See more in detail Section 5.5 below, in particular EQ 9.

4.4 Instruments Applicable to the Provision of Services in the Construction Sector: Services Directive, Professional Qualifications Directive, and Late Payments Directive

The retained acts include two instruments applicable to the cross-border provision of services in the construction sector, namely the Directive 2006/123/EC on services in the internal market (SD) and the Directive 2005/36/EC on the mutual recognition of professional qualifications (PQD), as amended in 2013. Furthermore, another Directive has an impact on construction service providers, that is Directive 2011/7/EU on late payments (LPD), and this is also considered in this Section.

4.4.1 Objectives of the Services Directive and the Professional Qualifications Directives and their Relevance to the Construction Sector

The SD and PQD aim at making the free provision of services within the Community as simple as within an individual MS. They share the same general objective of removing obstacles to the free movement of services and enhancing professional mobility in the EU through different complementary measures, in line with the requirements of the TFEU.²⁹⁸ They concern both construction companies as well as construction-related professional services. The objectives of the SD and PQD are overall considered complementary and coherent. Implementation reports on the SD and PQD²⁹⁹ and stakeholders do not point to inconsistencies among their objectives. In spite of progress made, the 2015 Communication on Upgrading the Single Market however still identifies several obstacles affecting mobility of professionals across MS.³⁰⁰ These issues of implementation and how they may affect the coherence of the instruments will be discussed below.

4.4.2 Scope and Definitions of the Services Directive and the Professional Qualifications Directive

The analysis did not reveal any material issue regarding the *scope of the two instruments*. While the PQD covers the recognition of professional qualifications, use of titles and knowledge of languages as well as any other requirements under national legislation restricting access to a profession, the SD deals with other requirements, such as tariffs, legal form requirements or ownership requirements, among others. The SD covers a large variety of sectors ranging from traditional activities to knowledge-based services, including services in the construction sector.³⁰¹ Therefore, both Directives are considered to complement each other whilst covering different aspects of the free movement of professionals.³⁰²

As mentioned in recital 31 of the SD, the Directive **“is consistent with and does not affect Directive 2005/36/EC [...]. With regard to temporary cross-border service provisions, a derogation from the provision on the freedom to provide services in this Directive ensures that Title II on the free provision of services of Directive 2005/36/EC is not affected. Therefore, none of the measures applicable under that Directive in the MS where the service is provided is affected by the provision on the freedom to provide services.” For matters not relating to professional qualifications, the “Services Directive” applies to those regulated professions that fall within its scope.**

²⁹⁸ Article 3(1) (c) of the Treaty establishes the abolition of obstacles to the free movement of persons and services as one of the objectives of the Community. For nationals of the MS, this includes, in particular, the right to pursue a profession, in a self-employed or employed capacity, in a MS other than the one in which they have obtained their professional qualifications. Article 47(1) of the Treaty lays down that directives shall be issued for the mutual recognition of diplomas, certificates and other evidence of formal qualifications.

²⁹⁹ Communication from the Commission on the implementation of the Services Directive. A partnership for new growth in services 2012-2015, COM(2012)261, hereinafter ‘Communication on the implementation of the SD’; PQD Evaluation; Communication from the Commission on Evaluating national regulations on access to professions, COM(2013)676; and Commission Staff Working Document, Detailed information on the implementation of Directive 2006/123/EC on services in the Internal Market, SWD(2012)148.

³⁰⁰ Communication from the Commission, Upgrading the Single Market: more opportunities for people and business, COM(2015)550.

³⁰¹ Communication on the implementation of the SD.

³⁰² Commission Staff Working Document on the transposition and implementation of the PQD, SEC(2010)1292.

Consistency in the definitions is ensured through a specific cross-reference to the PQD in the definition of ‘regulated professions’ under the SD.³⁰³ Regulated profession is defined in the SD as ‘a professional activity or a group of professional activities as referred to in Article 3(1)(a) of the PQD’.

4.4.3 Substantive Requirements of the Services Directive and the Professional Qualifications Directive

The SD and PQD refer in several instances to the mutual complementarity of the requirements established under each instrument, with a view to achieve the internal market for services. Also, several initiatives have been undertaken to improve the coherence of the parallel complementary procedures under the SD and the PQD, with a view to enhance the mobility of professionals in the EU. All in all, no major overlaps, but rather synergies, both realised and potential, have been identified between the SD and the PQD. Stakeholders reported no major issues as well. For instance, as noted by the Architect’s Council of Europe, the interplay between the SD and the PQD appears to work reasonably well as far as the architectural profession is concerned.³⁰⁴

The 2011 evaluation of the PQD identified several areas where the coherence and interaction between the procedures under both Directives could be enhanced. For instance, the Commission proposal for the 2013 review of the PQD noted that the obligations for MS to exchange information had to be reinforced similar to the alert system existing under the SD.³⁰⁵ The proposal also noted that complexity and uncertainty of administrative procedures under the PQD is one of the major difficulties for a citizen interested to work in another MS. The report noted that the single points of contact established under the SD should be used for the purposes of the PQD. Such changes have been introduced in the amended PQD, which, for instance, requires MS to ensure that certain information is available online and regularly updated through the points of single contact referred to in Article 6 of the SD and that all requirements, procedures and formalities relating to matters covered by the PQD may be easily completed, remotely and by electronic means, through the relevant point of single contact or the relevant competent authorities.

Following the positive experience with the mutual evaluation under the SD, the European Commission proposal also recommended that a similar evaluation system should be included in the PQD, with a view to contribute to more transparency in the professional services market. A similar exercise of mutual evaluation has thus started under the PQD. Each MS will be required to actively perform a review and to modernise their regulations on access to professions and professional titles.³⁰⁶

On the negative side, problems sometimes arise from misinterpretation of Annex VII PQD, which sets out evidentiary rules for certain requirements but does not govern them substantively: compliance with requirements such as good repute, physical or mental health, financial standing, insurance or absence of criminal convictions is proven in accordance with Annex VII PQD, but the imposition of such requirements is governed by the SD, namely by Articles 15(2) (d) and 23 SD.

4.4.4 Inconsistencies at Member State Level

In spite of progress made towards the achievement of the internal market for services, the 2015 Communication on Upgrading the Single Market still identifies several obstacles in relation to the SD and the PQD, which affect mobility of professionals in other MS.³⁰⁷ The 2012 performance

³⁰³ Article 4, 2006/123/EC on services in the internal market

³⁰⁴ Architect’s Council of Europe, Response to consultation on the internal market for services. 2 May 2015.

³⁰⁵ Proposal for a Directive of the European Parliament and of the Council amending Directive 2005/36/EC on the recognition of professional qualifications and Regulation on administrative cooperation through the Internal Market Information System, COM(2011)883.

³⁰⁶ Communication from the Commission on Evaluating national regulations on access to professions, COM(2013)676.

³⁰⁷ Communication from the Commission, Upgrading the Single Market: more opportunities for people and business, COM(2015)550, 2015.

checks of the internal market for services, which focused also on the construction sector, noted that while the objectives of these Directives are shared, a number of significant challenges still exist for businesses, in particular when they intend to provide services in other MS.³⁰⁸ The report noted that businesses are often confronted with requirements imposed on them in addition to those to which they are subject in the MS where they are established. The 2012 State of play of the internal market in the construction sector³⁰⁹ noted that the level and intensity of regulation of the activities of the construction sector and the regulatory options taken vary considerably between the MS.³¹⁰ Business Europe noted in 2014 that the high number of regulated professions in some MS hampers cross-border service provision or establishment, and stressed the importance of the evaluation exercise taking place under the SD and PQD to remove such barriers.³¹¹

The Commission Staff Working Document on the results of the performance checks highlights a number of instances of deficient implementation of the SD and the PQD which jointly affect the mobility of professionals in the construction sector.³¹² The report points, for instance, to the fact that, in the construction sector, some MS carry out prior checks of qualifications for professions that should benefit from automatic recognition, such as architects. It also identifies additional notification or authorisation obligations and insurance obligations. Moreover, the Ecorys SD Study identified several horizontal authorization schemes which do not appear justified on the basis of the SD, with stakeholders noting that there are still important problems with the provision of services in another MS. For example, stakeholders pointed to problems relating to the understanding of documentary requirements (e.g. whether a translation is required), the limitation to locally registered professionals for submitting designs when applying for building permits, or very costly insurance obligations to be recognised in other MS. Finally, the Ecorys SD Study **found that: "many companies choose not to work cross-border due to these problems. If cross border services are provided, a number of different strategies are used to circumvent problems, such as setting up a joint venture with a local company, or hiring a local architect or firm to handle administrative procedures."**³¹³

The performance check for the construction sector notes that the *cumulative application* of internal market rules at national, including the SD and PQD, lacks consistency and coherence.³¹⁴ For example, tariff or legal form requirements applicable to certain professional services cannot be tentatively applied to cross-border providers on the basis of Article 5(3) of the PQD (since they are not directly linked with professional qualifications). MS are only allowed to impose such rules on cross-border service providers if they are justified under Article 16 of the SD. Article 16 SD ensures that MS shall not make access to or exercise of a service activity in their territory subject to compliance with any requirements which do not respect the principles of non-discrimination, necessity and proportionality and prohibits the introduction of specific requirements affecting the free provision of services, such as residency or authorisation requirements, in national legislation. The 2015 Communication on upgrading the single market announced a first step aiming to enhance the notification procedure for MS, to enable the Commission to verify the conformity and proportionality of new regulatory measures adopted in the MS possibly affecting the free movement of services.³¹⁵

The problems highlighted above are confirmed by stakeholders throughout the interviews carried out under this Study. Several stakeholders highlight problems with the implementation of the SD

³⁰⁸ Commission Staff Working Document on the result of the performance checks of the internal market for services (construction, business services and tourism)) accompanying the Communication on the **implementation of the SD, SWD(2012)147, hereinafter 'Results of the performance checks'.**

³⁰⁹ 2012 State of play of the internal market in the construction sector, Background Note Expert Group Meeting 22nd March 2012.

³¹⁰ *Ibid.*

³¹¹ Business Europe, "Remaining obstacles to a true single market for services", 15 December 2014.

³¹² Cf. Results of the performance checks.

³¹³ Ecorys SD Study, at page, at p. 17.

³¹⁴ Cf. Results of the performance checks.

³¹⁵ Communication from the Commission, Upgrading the Single Market: more opportunities for people and business, COM(2015)550.

and PQD in the construction sector affecting the freedom to provide services in another MS. For example, one stakeholder noted that certain MS only accept documents authenticated by local professionals, such as translators or notaries. Another stakeholder notes that there is, to some extent, in practice an obligation to hire local people instead of working with people from their country of establishment with equivalent requirements due to the practical obstacles on the ground.

4.4.5 Directive 2011/7/EU on Late Payments

The LPD aims at contributing to the free provision of services through eliminating obstacles to the internal market resulting from the late payments of invoices. Nevertheless, it regulates a different matter than the SD and PQD. The correct implementation of the LPD should however contribute to a level-playing field for EU construction businesses providing services in another MS, in particular for SME. No specific inconsistencies were raised between the LPD and the SD or PQD in the implementation reports and interviews with stakeholders.

4.4.6 Conclusions

The objectives of the SD and PQD are overall considered complementary and coherent. Implementation reports and stakeholders do not point to inconsistencies among the general and specific objectives of both instruments. The PQD covers the recognition of professional qualifications, use of titles and knowledge of languages. The SD deals with other requirements hindering the provision of services in another MS, including, for example, tariffs, legal form, or ownership requirements. Therefore, the two Directives are considered to complement each other whilst both covering different aspects of the free movement of professionals.

The Directives cross-refer to each other in several instances, including the definitions. The 2011 evaluation of the PQD identifies several areas where the coherence and interaction between the procedures under both Directives could be enhanced. Such changes have been introduced in the amended PQD, which now, for instance uses the PSC referred to in Article 6 of the SD for making available information on the PQD and for easy and remote completion of all requirements, procedures, and formalities.

While the substantive requirements of the SD and PQD have been largely aligned, the implementation of the free movement of services in the construction sector in practice still raises important problems at national level. Stakeholders note, for instance, that mutual recognition in the construction sector is still not working in certain cases. The Commission Staff Working Document on the results of the performance checks highlights a number of instances of deficient implementation of the SD and the PQD, which jointly affect the mobility of professionals in the construction sector. These concern authorisation requirements for automatically recognised professions (i.e. architects), residence or nationality requirements and insurance obligations. The performance check for the construction sector also notes that the *cumulative application* of internal market rules, including the SD and PQD, lacks consistency and coherence.

While the LPD ultimately also aims at contributing to the free provision of services due to the elimination of obstacles from the late payments of invoices, it regulates a different matter from the SD and PQD. The overarching purpose of the Directive is to facilitate the functioning of the internal market through the elimination of barriers related to cross-border commercial transactions. No specific inconsistencies were raised between the LPD and the SD in the implementation reports and interviews with stakeholders.

4.4.7 Impact on the Performance of the Construction Sector

The implementation of the SD for the construction sector at national and local level is far from being perfect. In particular, (i) the SD was mostly implemented through horizontal regulations, without any specific provisions relating to the construction sector being introduced; (ii) the principles implementing the SD usually did not affect administrative procedures, especially at local

level; and (iii) in many cases, the expertise, skills and manpower to properly implement the SD was lacking in local authorities. As a result, both the studies and reports by the Commission and the empirical findings of this Study identified a set of persisting regulatory barriers hampering the activity of construction companies. In addition, the cumulative application of Internal Market rules, including both the SD and the PQD, is also lacks inconsistent and incoherent. As a consequence, operators are likely to be prevented from exploiting the full economic potential of the construction service sector, at both domestic and cross-border level. Hence, reducing these barriers, while maintaining a level playing field for market operators, would, on the one hand, increase competition, reducing prices and improving the quality for consumers, and, on the other, stimulate additional economic activities, leading to an increase in the GDP and the creation of new jobs. The scale of these missed benefits depends on (i) how significant regulatory barriers remain across and within each MS; and (ii) what additional cross-border potential can be exploited by EU construction operators.

4.5 Other Coherence Issues

4.5.1 Energy Performance of Buildings and Energy Efficiency Directives vs. Ecodesign and Energy Labelling Directives

The EPBD and the EED are generally considered to be “the EU’s main legislation when it comes to reducing the energy consumption of buildings”.³¹⁶ In addition, the ELD and the EDD mainly focus on the consumption of energy-related products (e.g. heating and lighting).³¹⁷ As the inspection of heating and air-conditioning systems – which are energy-related products – is laid down in the EPBD, the EPBD is already often linked to the EDD and the ELD. Equally, the energy-related products possibly in scope of the EDD and the ELD, though not covered by any secondary regulation so far (e.g. windows or insulation materials), can have a direct impact on the energy performance of buildings (i.e. EPBD).³¹⁸

Scope of the EED, EPBD, EDD and ELD. Within the context of the Roadmap to a Resource Efficient Europe³¹⁹ and the Strategy for the Sustainable Competitiveness of the Construction Sector and its Enterprises³²⁰, these directives aim to improve the energy performance of buildings, building systems and elements throughout their lifecycle.³²¹ Each has its specific scope, as the EED focuses on energy efficiency in general, the EPBD focuses on the energy performance of buildings, and the EDD and ELD both establish particular requirements and/or means to provide information on energy consumption for energy-related products. It is to be noted that the ELD addresses the supply side of the product markets, while the EDD addresses the demand side, and the EPBD and EED address both sides. The EPBD and the EDD/ELD do not overlap with regard to their objectives, as the EPBD focuses on the building level, components and systems, while the EDD and the ELD target energy-related products.

Definitions. While the EPBD includes definitions for ‘technical building system’ and ‘air-conditioning system’, similar wording is used in the EDD, without however providing a definition or a cross-reference to the EPBD. Equally, the EDD includes a definition of ‘components and sub-assemblies’, while the EPBD uses the word ‘components’ without referencing a definition. The EPBD Evaluation Study has therefore concluded that “to support implementation, the definitions within the Directives (as e.g. definitions of ‘system’ or ‘component’) could be streamlined”.³²² It is to be further noted that none of the directives includes a definition of ‘energy efficiency’ even

³¹⁶ <https://ec.europa.eu/energy/en/topics/energy-efficiency/buildings> (last accessed in April 2016)

³¹⁷ See also Communication from the Commission on Resource Efficiency Opportunities in the Building Sector, COM(2014)455.

³¹⁸ EPBD Evaluation Study, at p. 163.

³¹⁹ Communication from the Commission on Roadmap to a Resource Efficient Europe, COM(2011)571.

³²⁰ Communication from the Commission on Strategy for the sustainable competitiveness of the construction sector and its enterprises, COM(2012)433.

³²¹ See also, with regards to the environmental performance of buildings, Communication from the Commission on Resource Efficiency Opportunities in the Building Sector, COM(2014)455.

³²² *Ibid.*

though these words are used throughout. Therefore, this Study suggests to add a definition of **'energy efficiency' aligned with the EED**.³²³ The lack of streamlined definitions does, however, not impact the construction sector.

Technical building systems. According to Article 8 EPBD, MS are to set system requirements for new technical building systems, their replacement and upgrading, including at least heating systems, hot water systems, air-conditioning systems and large ventilation systems. According to a recent study from Ecofys, several stakeholders have argued that incoherence issues with the EDD/ELD may arise related to the regulation of systems, although their comments generally lack argumentation.³²⁴ For example, some have stated that optimizing individual products could be to the detriment of system performance, hence concluding that product and system approaches could be in conflict. However, no example has been put forward, and the argument has therefore lost its attractiveness. After having indeed considered all arguments, Ecofys reached the **conclusion that "[overall, the products and systems approach (under E[D]D/ELD and EPBD respectively) may be considered compatible, and may complement each other to realize a large energy savings potential. The E[D]D and ELD guarantee a good quality of the individual heating product, also if used for retrofit, while the EPBD addresses the performance of the whole building, mainly for new buildings." However, ecodesign requirements for individual product groups which are created under the EDD and which are laid down in specific regulations may overlap with Article 8 EPBD. An example mentioned in the Ecofys Study is the "package label" for boilers.**³²⁵ Ecofys also added that the potential for contradictions would probably grow with provisions of Ecodesign on energy related products, which are also addressed by component requirements of the cost optimality process under the EPBD."³²⁶ Therefore, the Ecofys Study **recommends** "to explore potentials for including system aspects in regulations made under the EDD and ELD".³²⁷

Inputs and outputs. Articles 3 to 7 of the EPBD relate to the calculation of the energy performance of buildings, the methodology of which shall be adopted at national or regional level. As the EPBD uses the EU-wide primary energy factors to calculate the efficiency requirements of building systems, it is recommended that these are also used in the context of the EDD and ELD – even though there are arguments against, as these energy factors may not always take into account the technology used.³²⁸ In short, the EPBD, EDD and ELD would be more consistent if the required tests and measurements under the EDD and ELD were made directly compatible with the required data inputs under the EPBD.³²⁹ **It is to be noted that Ecofys refers to 'Mandate M480 for updating the set of European Committee for Standardisation (CEN) standards underlying the recast of the EPBD' and that "[during recent discussions in M480, the argument came up that the CE marking, which is governed by the Common Provisions Regulation, might also be the place to**

³²³ This suggestion has also been included in Draft Opinion of the Committee on the Environment, Public Health and Food Safety for the Committee on Industry, Research and Energy on the proposal for a regulation of the European Parliament and of the Council setting a framework for energy efficiency labelling and repealing Directive 2010/30/EU (COM(2015)0341 – C8-0189/2015 – 2015/0149(COD)).

³²⁴ Ecofys (2014), Final technical report Evaluation of the Energy Labelling Directive and specific aspects of the Ecodesign Directive Report for DG ENER (hereinafter, referred to as the 'Ecofys Study'). See in particular pp. 43-44.

³²⁵ See, e.g., EPBD Evaluation Study: "The Ecodesign Directive sets requirements of products such as boilers or air-conditioners and as such does in principal not create an overlap with the EPBD. An exception is the new "package label" for boilers that does create an overlap with the system requirement Article 8 of the EPBD. It remains to be seen whether this overlap will lead to issues in implementation. As a product-specific approach (e.g., an energy efficient boiler) does not consequently lead to an energy efficient building. It is important to reach for the highest efficiency in products to support energy efficiency in buildings and to reduce energy costs. But the highest overall efficiency will only be reached by optimising the entire system by effectively matching – if applicable e.g. in replacements or upgrades new and existing – components [DENA, 2011]. It can be concluded that the product approach of the ED and the system efficiency approach of the EPBD are complementary approaches, with the exception of the package label for boilers."

³²⁶ Ecofys Study, at p. 164.

³²⁷ Ecofys Study, at pp. 4-5.

³²⁸ More information on the primary energy factors, and on the compatibility with the EPBD, can be found *ibid*.

³²⁹ EPBD Evaluation Study, at p. 164.

define technical parameters that can be used as input into calculations of the energy performance of buildings rather than using Ecodesign for that purpose.”³³⁰

Conclusions. The EED, EPBD, EDD and ELD all have complementary objectives which are well aligned with each other and which do not overlap, given that the directives focus on energy efficiency at different levels in the building chain³³¹. Their synergies could be strengthened by **streamlining the concepts of ‘system’, ‘product’ and ‘component’ and by focusing on overall system efficiency** instead of single-minded measures. Further fragmentation can be avoided by requiring that the outputs under the EDD and ELD are directly compatible with the inputs under the EPBD. This conclusion is supported, inter alia, by the results from the ³³²ex-post evaluation of the EPBD and by the results from the evaluation of the EDD.³³³

4.5.2 Energy Performance of Buildings Directive vs. Construction Product Regulation

A link exists between the EPBD and the CPR, as the latter establishes harmonised rules for the marketing of construction products, hereby allowing the comparison of the energy-related performance of products from different manufacturers. As the EPBD takes a system approach while the CPR acts at product level, it is generally acknowledged that both directives do not overlap.³³⁴ One OPC respondent mentioned that requirements for building components set under **the EPBD may risk obsolescence and may not be fit to achieve the Directive’s objective**. Nevertheless, the adoption of a new standard on sustainability or energy economy under the CPR, could contribute to achieving the objectives of the EPBD.³³⁵ There is thus an opportunity to achieve important synergies between the CPR and the EPBD through a coordinated approach. Many stakeholders moreover clearly express a preference for regulating the issue of sustainable construction products through the CPR.

4.5.3 Energy Efficiency, Energy Performance in Buildings and Renewable Energy Sources Directives vs. Professional Qualifications and Services Directives

On one side, the EED, EPBD and RESD all provide for MS to set up certain certification/accreditation schemes. On the other side, the PQD and SD regulate the free movement of service providers, and the recognition of professional qualifications and other requirements for establishing providers. As such, the provisions on accreditation/certification should apply without prejudice to the requirements of the PQD and SD. Even though the EED, EPBD and RESD consistently urge MS to take the PQD into account, the differences in certification and qualification criteria persist and cross-border mutual recognition therefore remains slow to emerge. This is considered problematic in view of the PQD and the SD, which apply without prejudice to the specific certification requirements set out in these Directives in particular as – as indicated below – this applicability should result in some cases in automatic recognition whether under the PQD or SD. Additionally, any authorisation/certification scheme established under national law shall meet the requirements of Article 10 of the SD, including the requirement to be non-discriminatory, justified and proportionate. Under Article 16 SD temporary cross-border providers should, in principle, comply with requirements from the home MS only: host MS requirements can only be imposed if they can be exceptionally justified, in a proportionate manner, under overriding reasons of public policy, public health, public safety and the protection of the environment. Such justification can only be truly exceptional in cases where Directives such

³³⁰ *Ibid.*

³³¹ This conclusion is, inter alia, supported by the European Environmental Citizens’ Organisation for Standardisation in their reply to the 2015 EED public consultation.

³³² Ecofys (2014), Final technical report Evaluation of the Energy Labelling Directive and specific aspects of the Ecodesign Directive Report for DG ENER.

³³³ EBPB Evaluation Study; cf. also CSES (2012), Evaluation of Ecodesign Directive, 3rd stakeholder meeting, 18 January, available at: <http://www.cses.co.uk/upl/File/session-1.pdf> (last accessed on April 2016).

³³⁴ See, e.g., EBPB Evaluation Study, at p. 156.

³³⁵ Sustainable construction requirements for construction products would involve Basic Requirement 3 (hygiene, health and the environment), 6 (energy economy and heat retention) and 7 (sustainable use of natural resources). Cf. Annex I to the CPR.

as EED, EPBD and RESD harmonise the regulatory environment for service provision.

The EED, in Art. 16(3), urges MS to cooperate on the recognition of the certification and/or accreditation schemes or equivalent qualification schemes for the providers of energy services, energy audits, energy managers and installers of energy-related building elements. It does not explicitly refer to PQD, nor does it set rules on mutual recognition. The EPBD explicitly refers to **the PQD in its recitals with regard to the mutual recognition of 'professional experts' (qualified and/or accredited)**. The RESD also makes a direct reference to the PQD in its recital with regard to the access or pursuit of the profession of installers in particular when it is a regulated profession. It also includes, in Article 14(3), a general requirement on mutual recognition for certification awarded in accordance with a number of general criteria listed in Annex IV to the Directive.

When there are no rules on the mutual recognition of certificates on professional qualifications, the recognition procedure of the PDQ applies:

- if the holders of the certificates have to fulfil minimum requirements, there should be automatic recognition of the certificates.
- in the absence of such minimum requirements, but when the EU legislation requires MS to establish a certification scheme, MS can decide on the criteria and the certificates should follow the general recognition procedure of the PQD.

The same approach should be followed for those other controls and requirements, not related to professional qualifications, governed by the SD:

- If requirements are set at EU-level, even at a minimum level, there should be automatic recognition of the authorisations/certificates.
- In the absence of such minimum requirements, but when the EU legislation requires MS to establish an authorisation/certification scheme, MS can decide on the criteria and the certificates should follow the general recognition rule of the SD (Article 10(3)).

Under each of the three energy-related directives, the certification schemes or equivalent can be voluntary. It should also be noted that the PQD and the SD do not apply to voluntary schemes. For instance, certification schemes under the RESD can be voluntary or compulsory, even if the majority of those are voluntary.³³⁶ Where the scheme is compulsory, the recognition of certificates shall meet the requirements of the PQD or the SD.

In 2012, the Commission raised concerns, noting that "businesses and professionals face problems because of the lack of mutual recognition clauses in sector-specific EU legislation that provides for authorisation or registration schemes or the certification of experts".³³⁷ Even in the case of the RESD, which provides for mutual recognition, the differences in certification or qualification systems lead to challenges in practice.³³⁸ This suggests that the application of the PDQ and SD does not prevent problems in terms of practical implementation. The mutual evaluation exercise of obstacles to the access to professions under the PQD could provide a useful tool to identify and address such problems in practical implementation.

To address this problem, *QualiCert* suggested an approach to make the various schemes compatible in the context of a European market with free movement of labour.³³⁹ Stakeholders have also suggested that providing EU-specific training and examination regulations could ensure a higher standard of installations and increase the coherence across MS, although this could lead to costly system adaptations. CE Delft has proposed the introduction of a standardised test for all

³³⁶ CA-RES (2015) II Core Theme Interim Report – Core Theme 3 RES HEAT, at p.6, available at http://www.ca-res.eu/fileadmin/cares/public/Reports/CT_Interim_Reports/CT3_Interim_Report_Final.pdf, (last accessed on April 2016).

³³⁷ Results of the Performance Checks, at p.9.

³³⁸ See, e.g., in the conclusions of RESD Evaluation. See also CA EPBD (2016) Implementing the Energy Performance of Buildings Directive, at p. 105, available at: <http://www.epbd-ca.eu/outcomes/2011-2015/CA3-BOOK-2016-A-web.pdf> (last accessed on April 2016).

³³⁹ ADEME (2011), QualiCert Manual - A common approach for certification or equivalent qualification of installers of small-scale renewable energy systems in buildings,

European installers/inspectors/certifiers/auditors as part of national certification/qualification (including country-specific elements), which could also benefit the harmonisation of training standards and would be a cost-efficient way to guarantee Europe-wide minimum standards while keeping intervention into national systems low.³⁴⁰

³⁴⁰ RESD Evaluation, at p. 26.

5 EVALUATION QUESTIONS

5.1 Introduction

This Section includes the results of the ex post evaluation of the selected EU acts with respect to the construction sector, in particular its competitiveness and, where applicable, its sustainability. It builds upon the EQ as defined in the Terms of Reference and refined in the course of the Assignment. Importantly, this Study does not amount to a full ex post evaluation of the selected acts. A proper evaluation would indeed require to consider not only the effects and impacts of these acts on a specific industry, but on the whole society. In the present Study, the analysis is only sectoral, even though most acts touch upon many more industrial sectors and parts of the society. Hence, the analysis which is presented on the following pages does not imply any judgment on the fitness of the acts in scope of the Assignment, but only on their effects on the construction sector value chain.

Five sub-sections present the findings for the various evaluation criteria: 5.2 for relevance; 5.3 for coherence; 5.4 for effectiveness; 5.5 for efficiency; and 5.6 for EU added value.

5.2 Relevance

The main policy objectives whose achievement is instrumental to addressing the challenges and needs of the EU construction sector and to ensure its competitiveness and sustainability are spelled out in a 2012 Communication by the Commission.³⁴¹ Taking into account the segments of the construction sector in **the scope of this Assignment, i.e. 'construction of buildings' and 'specialised construction activities', these policy objectives can be summarised as follows:**³⁴²

1. Stimulating favourable investment conditions, by placing great emphasis on building renovation and on combating late payments;
2. Improving the human capital basis, by attracting young workers to relevant construction professions, enhancing the mobility of skilled workers, and improving the working environment and the career management;
3. Improving resource efficiency, environmental performance and business opportunities, by developing harmonised indicators, codes and methods for the assessment of the environmental performance of construction products, processes and works, fostering GPP, and streamlining authorisation processes for construction projects;
4. Strengthening the Internal Market, by ensuring that the relevant legal framework is **as clear and predictable as possible, reducing 'red tape', and accelerating the convergence** of different national and regional regulatory approaches.

Against this background, the relevance of the Internal Market and Energy Efficiency legislation affecting the construction sector can be evaluated by checking the alignment between the four objectives listed above and the objectives pursued by each piece of legislation covered by this Study. **This assessment is complemented with the stakeholders' feedback.**

³⁴¹ Communication from the Commission, Strategy for the sustainable competitiveness of the construction sector and its enterprises, 31.07.2012, COM(2012)433.

³⁴² **Please note that the Commission's** Strategy for the sustainable competitiveness of the construction sector identifies another objective, namely fostering the global competitiveness of EU construction companies, by enhancing access to international markets, especially in the public-works area. While this objective is central **to the 'civil engineering' division, it appears to be less relevant to the divisions covered by this Study with the exception of large projects for the construction of commercial buildings.**

EQ1. To what extent are the objectives of the different identified EU acts relevant in the context of a more competitive and sustainable construction sector?

Internal Market policy area

The main objective of the CPR is to remove technical barriers to trade and, as a result, to enhance the free circulation of construction products in the Internal Market. In this respect, the CPR is relevant to strengthen the Internal Market for construction products and create a level playing field across the EU. Nonetheless, the relevance of this piece of legislation appears less central when considering that cross-border trade is rather limited for most construction products, due to both their low value-to-weight. In addition, the majority of stakeholder associations interviewed for this Study argue that, as things now stand, the DOP and CE marking convey information that is commercially relevant only to a limited extent. As a result, stakeholders pointed out that the DOP and the CE marking only play a limited part in shaping the EU Single Market for construction products. Interestingly, however, the CPR may play a role also in improving the resource efficiency and environmental performance of the sector, since Basic Requirements #3 (hygiene, health and the environment), #6 (energy economy and heat retention) and #7 (sustainable use of natural resources) enable manufactures to measure and declare the performance of construction product with respect to these requirements. Yet, relevant standards must be adopted to that end and the process is still ongoing.

The PQD aims inter alia at encouraging labour mobility within the EU and, more specifically, at facilitating the mobility of professionals and promote the cross-border provision of services in order to handle the temporary shortage of skills or qualified personnel. The objectives of this Directive are therefore aligned with two out of the four objectives listed above, namely improving the human capital basis of the construction sector and creating a well-functioning Internal Market for construction professions. Against this background, however, the number of construction professionals and craftsmen going abroad through the schemes set out by the PQD is still very low compared to the size of the sector. As a result, the actual relevance of this Directive seems to be limited as construction professions and crafts remain still mostly local.

As the objective of the SD is to establish 'general provisions facilitating the exercise of the freedom of establishment for service providers and the free movement of services', this Directive may contribute to strengthen the Internal Market for construction services. In addition, as the simplification of the regulatory framework applies also to local service providers, the SD has a positive impact on the need to improve business opportunities by streamlining authorisation processes. At any rate, the full potential of the SD seems to be still untapped, as only a limited number of MS have (partially) implemented this Directive in relation to construction service provisions. In fact, in most MS the SD has been implemented via horizontal legislation with limited impact on the construction sector, especially in civil law countries and in those MS where regional and local authorities are competent to regulate construction activities.

Finally, the LPD has the objective of combating late payments in both B2B and PA2B commercial transactions and mitigating the negative effects of delayed payments. Therefore, the LPD is fit to stimulate favourable investment conditions in the construction sector. The high relevance of combating late payments was confirmed by the vast majority of stakeholder associations and companies. Late payments have a negative impact on the financial management of construction companies and hamper their competitiveness and profitability. In particular, they are proven to be particularly harmful for SME due to the limited bargaining power of these companies and the difficulties they generally experience when seeking access to finance.

Energy Efficiency policy area

As buildings are responsible for some 40% of the final energy consumption in the EU, the EED requires MS to establish a long-term strategy for mobilising investment in the renovation of buildings and includes several measures that have a direct impact on the construction sector. The EPBD completes the framework laid down in the EED by providing a holistic approach towards

efficient energy use in the building sector and promoting the improvement of the energy performance of both new and existing, residential and commercial buildings and building systems. Therefore, the objectives of the EED and the EPBD are fully aligned with the objectives of both improving resource efficiency, environmental performance and business opportunities and ensuring favourable investment conditions in the construction sector. These Directives are considered relevant to all the links of the construction value chain and have the potential to create new market opportunities for construction companies, providers of specialised construction activities and manufacturers of construction products. In part, this is also due to the national financial support measures put in place by many MS on the grounds of both pieces of legislation. In addition, the EPBD partially contributes to enhancing skills of construction workers via the introduction of requirements concerning the qualification or accreditation of inspectors of heating and air-conditioning systems.

The RESD aims at establishing a common framework for the promotion of energy from renewable sources. When it comes to buildings, MS are called to introduce in their building regulations and codes requirements for the use of minimum levels of RES in new buildings and existing buildings undergoing major renovation. The RESD is therefore relevant to the needs of part of the construction sectors insofar as installers of small-scale RES are electricians, plumbers, roofers and other craft professionals that are part of the construction value chain. In this respect, in addition to contributing to the resource efficiency and environmental performance of buildings, this Directive may both generate new business opportunities for construction professionals and improve the human capital basis of the sector, as installers need to obtain a certification or equivalent qualification scheme and have the opportunity to upgrade their skills and knowledge. Yet, this specific measure is not binding.

The EDD aims at establishing a common framework for ecodesign requirements of energy-related products, i.e. both products that consume energy and products that have an impact on the consumption of energy. More specifically, the EDD has a twofold target: (i) removing barriers to trade and distortion to competition generated by disparities between national rules; and (ii) reducing the environmental impact of products placed on the Internal Market. In the same vein, the ELD aims at both: (i) removing barriers to trade and distortion to competition generated by the existence of voluntary or compulsory national schemes in the field of energy labelling; and (ii) providing accurate, relevant and comparable information to consumers when it comes to the consumption of energy and other resources by energy-related products, thereby reducing the environmental impact of the products placed in the EU market. In principle, both Directives can contribute to the need of improving the resource efficiency and environmental performance of construction related products and, as a result, of buildings, as well as to the need of strengthening the Internal Market. The relevance to the construction sector, however, is quite limited so far, as only a low number of products related to the sector and ancillary activities are currently covered by implementing measures.

Concluding remarks - Relevance

In principle, all the pieces of legislation covered by this Study are relevant to ensure the competitiveness and sustainability of the EU construction sector. More specifically (see Exhibit 5.1), the need to stimulate favourable investment conditions is tackled by the LPD by combating late payments, and by the EED and the EPBD by fostering building renovations. The PQD and, to a more limited extent, the EPBD and the RESD have the potential to contribute to improving the human capital basis of the sector by facilitating training and cross-border mobility. Differently, the pieces of legislation grouped in the energy efficiency area as well as the CPR may all contribute to the resource efficiency and environmental performance of buildings (or part thereof). In addition, the EED, the EPBD, the RESD and the SD play a part in creating new business opportunities. Finally, the CPR, the PQD and the SD have an impact on the functioning of the Internal Market for construction products, construction professions and construction services, respectively. On the contrary, the EED and ELD are only potentially relevant as they cover so far only a very limited number of energy-related products which are also construction products.

Exhibit 5.1 Alignment of Selected EU Acts with the Policy Objectives for a more Competitive and Sustainable Construction Sector

Need	Internal Market				Energy efficiency			
	CPR	PQD	SD	LPD	EED	EPDB	RESD	EDD/ELD
<i>Stimulating favourable investment conditions</i>				X	X	X		
<i>Improving the human-capital basis</i>		X				X	X	
<i>Improving resource efficiency, environmental performance and business opportunities</i>	X		X		X	X	X	(X)
<i>Strengthening the Internal Market</i>	X	X	X					(X)

Note: (X) potential impact. Source: Authors' own elaboration

In summary, the Internal Market legislation in the scope of the Assessment can be classified as fairly relevant in the context of a more competitive and sustainable construction sector. In fact, barriers other than regulatory are limiting the integration of the EU market for constructions and impinging on the potential of the CPR, the PQD and the SD. The relevance of the energy efficiency legislation appears to be high, especially thanks to the EED and, most importantly, the EPBD, whose objectives are to a large extent aligned with the challenges and needs of the EU constructions sectors.

5.3 Coherence

Under the coherence criterion, the extent to which the selected EU acts are aligned with each other is evaluated. The assessment of coherence is structured around three main groups of connected EU legal instruments, namely: (i) CPR, EED, and ELD; (ii) EED, EPBD, and RESD; and (iii) PQD, SD, and LPD. Additionally, some of these pieces of EU legislation are also connected with one another outside these groups, and this is further taken into account.

The coherence criterion is operationalised through three EQ. First, the assessment will consider whether the selected EU acts form a consistent regulatory set in which the different pieces are mutually supportive through aligned and predictable provisions and approaches (EQ2), and, conversely, identify any legal shortcoming (i.e. inconsistencies, overlaps, gaps, obsolete provisions) (EQ3). Then the role of national or local legislation on the identified shortcomings is discussed in EQ4. The impacts in terms of costs and benefits of the identified shortcomings is analysed further under the efficiency criterion, in EQ9.

EQ2. To what extent do all pieces of EU legislation fit together sufficiently well and provide the construction sector with a clear and predictable regulatory framework?

The list of legal instruments identified for the purpose of this Study consists of three Directives and one Regulation mainly aimed at Internal Market, and five Directives mainly focusing on Energy Efficiency. For the purpose of the coherence analysis, these EU instruments were divided into three groups. Within each group, an analysis was made as to what extent the three pieces of EU legislation fit together sufficiently well.

This Study has shown that all pieces of EU legislation fit together sufficiently well in the sense that their scope and their objectives are considered to be complementary and coherent. The main conclusions are further elaborated upon as follows:

- The SD and PQD share the same general objective of removing obstacles to the free movement of services providers, including construction services, and enhancing professional mobility in the EU through different complementary measures. Both apply to the mobility of firms,

professionals and craftsmen in the construction sector. The objectives of both Directives are considered complementary and coherent, as implementation reports and stakeholders do not point out to inconsistencies among the general and specific objectives of both instruments. Consistency in the definitions is ensured, for example, through specific cross-references to the PQD in the SD.

- While the LPD ultimately also aims at contributing to the provision of cross-border services, it regulates a different matter from the SD and PQD. The LPD aims at combating late payment in commercial transaction in order to ensure proper functioning of the Internal Market. No specific inconsistencies were raised between the LPD and the SD in the implementation reports and interviews with stakeholders.
- The comparative analysis of the EED, EPBD and RESD carried out has confirmed that there is great synergy with regard to their objectives. This conclusion has been corroborated through the 2015 ex-post evaluation of the EPBD.
- The objectives of the CPR, ELD and EDD are clearly distinct and are mostly considered complementary and coherent. While the CPR aim to eliminate barriers in the EU internal market, the EDD also aims at reducing the overall negative impact of energy-related products. The ELD complements the EDD by setting a framework for the labelling and the provision of information regarding energy consumption. The substantial requirements under the EDD and ELD are mostly considered coherent and complementary.
- The EED, EPBD, EDD and ELD all have complementary objectives which are well aligned with each other and which do not overlap, given that the directives focus on energy efficiency at different levels in the building chain.

While in terms of scope and objectives, great synergies have been found between the identified EU legal acts, the statement should be nuanced. The legal analysis has concluded that there exist several shortcomings related to the more substantial requirements and the definitions within these acts. These shortcomings are further discussed in the following EQ, but it must be noted that, from a practical perspective, the legal shortcomings do not currently impact on the performance of the construction sector. Consequently, it is considered that the regulatory framework is sufficiently predictable for the construction sector.

EQ3. What are the specific inconsistencies, overlaps (e.g. in terms of definitions) or gaps that can be identified across the identified EU legal acts?

- In general, no major overlaps, but rather synergies, both actual and potential, have been identified between the SD and the PQD. The proposal for the review of the PQD in 2013 took into account some areas where coherence could still be improved (e.g. with regard to the exchange of information, similar to the alter system under the SD, and the introduction of a single point of contact), resulting in consistent substantive requirements at EU level.
- The comparative analysis of the EED, EPBD and RESD shows a strong synergy with regard to their substantive requirements, which however implies that there may be potentially overlapping provisions, especially with regard to the certification of buildings and building units, and the accreditation and training of experts. The coexistence of four different schemes regarding the certification of buildings (or building units) may give rise to some inconsistencies, also due to the interaction with national legislation. Especially in those specific cases where certification and/or inspections under the EPBD in a given MS may go hand in hand with energy audits – for instance when auditing office buildings of a large enterprise – some of the respondents to the 2015 public consultation on the EED were of the opinion that

it is confusing that the energy performance of buildings is targeted in different directives.³⁴³ Concerning the accreditation and training of experts, where certification in the EPBD, and to some extent the RESD, covers a subset of the energy professions that can be certified under the EED, the qualification/accreditation schemes may overlap to a rather large extent. The various overlaps create some impact on the construction sector, but not necessarily in a negative way.

- There is currently only one potential inconsistency between the EDD and the CPR for specific product categories, namely for solid fuel space heaters, as regulated by the recently adopted Commission Regulation (EU) 2015/1185 and a hEN under the CPR. For four other product categories which may be considered a construction product and an energy-related product at the same time, there are currently no concrete overlaps as both acts cover different aspects of the products and have different objectives. The overlap could extend to other product categories when implementing acts for additional construction products are adopted under the EDD.
- The EDD, ELD, and CPR do not use identical definitions of **'economic operators'** nor of the term **'placing on the market'**. **These inconsistencies, however, do not lead to substantial problems** for the construction sector.

EQ4. To what extent can the inconsistencies and overlaps be attributed to provisions in the existing EU legislative framework or to implementation and/or transposition at national (including regional and local) level or to existing national legislative frameworks?

- The implementation of the free movement of services in the construction sector in practice still raises important problems. Significant obstacles affecting the mobility of professionals across MS have been identified in performance checks, mutual evaluation exercises and studies. Businesses are often confronted with requirements imposed on them in addition to those to which they are subject in the MS where they are established. For example, stakeholders point to problems relating to the understanding of documentary requirements (e.g. whether a translation is required) or to the limitation to locally registered professionals for submitting designs when applying for building permits. Also prior checks of qualifications for professions that should benefit from automatic recognition have been reported. Other concerns relate to the authorisation requirements for automatically recognised professions (i.e. architects), residence or nationality requirements and insurance obligations.
- With regard to the harmonization and coordination at a practical and national level of the EED, EPBD and RESD, several impediments have arisen. In most countries, regular inspections / certifications and energy audits are covered by different legislation and managed by different public authorities. Further, numerous problems have also been reported with regard to the proper implementation of the EPC at MS level, which obviously will prevent any harmonization with inspections and energy audits. One important recommendation, in order to create synergies, is to work upon one harmonised set of definitions with regard to the schemes aiming for quality assurance of energy professionals. These schemes currently have different names (including certification, qualification, label and accreditation) – at EU level and at national level - and the meaning of these words can be quite different from one country to another. Furthermore, also qualification and training of energy efficiency experts remains a competence of MS, sometimes at regional level, and, in most MS, different ministries are responsible for the EPBD and the EED/RESD, also leading to different approaches. In addition, the existing certification and qualification schemes for installers of small-scale RES in buildings are so diverse among themselves that any harmonization with the schemes and training programmes

³⁴³ The problem is covered by the Commission guidance note on Article 8 of the EED, which advises MS as to how to ensure that national transposition measures to exploit the synergies between the EPBD and the EED.

foreseen under the EED and EPBD is impeded. Finally, also the implementation of Article 14(3) of the RESD in various MS differs considerably.

- Even though the EED, EPBD and RESD consistently urge MS to take the PQD into account, the problem of differences in certification and qualification criteria persists and cross border mutual recognition therefore remains slow to emerge. This is considered problematic in view of the PQD and the SD, which aim at reducing obstacles to the freedom of establishment and free provision of services across the EU and which apply without prejudice to the specific certification requirements set out in these Directives. In addition, some specialised construction workers, such as installers of small-scale renewable energy systems, may be **considered 'regulated professions' under the PQD in some MS, but not in all**: installers of RES technologies are considered a regulated profession in 40% of the MS.³⁴⁴ The regulation of some specialised construction activities in a limited number of MS can further create an obstacle to the free movement of professionals, as protected under the SD and the PQD.³⁴⁵ Any authorisation/certification schemes established in national law shall meet the requirements of Article 10 SD, which requires, among others, that such schemes be non-discriminatory, justified and proportionate. In the absence of harmonisation, mutual recognition for establishing providers shall follow either the PQD or Article 10(3) SD. Harmonisation, even if at a minimum level, should mean automatic recognition in a host MS for temporary cross-order provisions. Temporary cross-border providers should be bound to home MS rules only, particularly in a (even partially) harmonised context. Particular attention thus seems necessary to the correct application of the internal market legislation for services to the certification schemes established under sector-specific legislation in the construction sector. The mutual evaluation exercise under the PQD could provide a useful tool for identifying and remedying the obstacles to the mutual recognition of professional qualifications in these specific cases.

Concluding remarks – Coherence

In general, the evaluation of coherence of the selected acts is positive. While a detailed assessment has identified shortcomings and overlaps, they are not perceived as currently having an impact on the performance, competitiveness and sustainability of the construction sector.³⁴⁶ In other words, the identified shortcomings have not yet generated material effect on the construction sector and would, at most, only entail possible future costs.³⁴⁷ Furthermore, a good deal of complementary measures or synergies could be identified.

5.4 Effectiveness

Under the effectiveness criterion, the extent to which the selected EU acts have achieved the objectives that they were intended to achieve on the sector is assessed. For the purpose of this Assignment, the relevant objective is to support the competitiveness and sustainability of the construction sector. This is in line with sectoral focus of this Fitness Check, whereas the effectiveness is not assessed in broad terms, i.e. with respect to other industries and societal impacts. The sector focus is a distinctive feature of the Study, differentiating it from other Fitness Check-related exercises.

The effectiveness criterion is operationalized through two EQ, the first including in turn two sub-questions. EQ5 concerns the effects of the selected acts, including the extent to which they create **'obstacles' to the achievement of the above-mentioned objective**. EQ6 concerns the unintended consequences and side effects generated by the selected acts.

³⁴⁴ CA-RES, Working Group 5. Information and training

³⁴⁵ CSES, Study to provide an Inventory of Reserves of Activities linked to professional qualifications requirements in 13 EU MS & assessing their economic impact, Final Report, January 2012, p.1, available at: http://ec.europa.eu/internal_market/qualifications/docs/news/20120214-report_en.pdf

³⁴⁶ This aspect is discussed more in detail in Section 5.4 below.

³⁴⁷ Cf. EQ 9 in Section 5.5. below.

EQ5A. To what extent has the EU legislation in the areas of Internal Market and Energy Efficiency contributed to achieving the objectives of a competitive and sustainable construction sector?

The 2004-2014 period was a bleak decade for the EU construction industry.³⁴⁸ In terms of volume, in 2014 the EU industry output dropped by 20% compared to its peak in 2007, and by 10% compared to 2004. Only in 2014, the EU output increased again, after six years of decline in a row. In terms of value, the market for new residential buildings in the 10 MS covered by the Study declined by one third between 2007 and 2014, and the market for new non-residential buildings by one fifth. On the contrary, the renovation segment – both residential and non-residential – remained stable between 2007 and 2014. As a result, the renovation segment now accounts for more than half the construction market, namely 57% in 2014. The overall trend is somehow diversified at MS level, with three countries recording heavy losses in terms of construction output, namely Ireland, Spain and Italy, and the bulk of the Northern-Western MS keeping more stable, with 2014 production largely in line with 2004 levels (though still declining from the 2007 peak in most cases). Eastern countries, in this case Poland and Romania, showed a generally upward trend across the period.

Such a troubled decade caused an erosion of the production base. In particular, the number of persons employed in construction activities – excluding civil engineering – shrank by nearly one quarter between 2007, the year of the peak, and 2013. In 2013, the number of people employed in building construction activities fell by over 2 million compared to 2005, and by 3.4 million people compared to 2007. The situation varies considerably among the ten countries analysed, essentially reflecting the patterns in terms of volume; in particular, Belgium and Germany are the only countries in which the variation of persons employed between 2005 and 2013 shows a positive sign. At the same time, such a troubled decade also affected the upstream part of the value chain. The output of the construction product industry declined by about 20% between 2008 and 2013, and the number of persons employed by 18%.

Did the EU regulatory framework have an impact on the loss of competitiveness across the decade, **by either speeding it up or slowing it down? The short answer is 'to a limited extent'.** The regulatory framework for the construction sector, though blamed for being complex and burdensome and not fully suited to ensure the completion of a functioning Internal Market, had a little role in the performance of the sector. The main and most prominent economic driver throughout the decade was the economic cycle, and in particular the impact of the economic and financial crisis, from 2007 onwards. The dramatic decline in demand and the problems of financial institutions, also coupled with an irrational bubble in the housing markets of several MS in the previous years, had an effect that no regulatory intervention could avoid. Even with hindsight, the EU framework can hardly be blamed for not having solved the problems of the industry.

In a situation where economic trends were different across MS, with some national markets healthier than others, a functioning Internal Market could have limited damages, allowing workers and capital to move to countries with better prospects. However, the effectiveness of the SD in the construction industry was none to limited in most MS, largely because of the national implementation and application rather than the EU framework *per se*. On the contrary, the effectiveness of the PQD was good, in terms of output, i.e. putting in place workable mechanisms for professionals and craftsmen going cross-border, but the outcome, i.e. the size of construction **workers' flows, remained limited. Most importantly, favouring Single Market flows at a time of crisis, i.e. when even healthier markets are far from flourishing, may exacerbate, and exacerbated, the reaction by local companies, which perceive this competition as unfair.** Probably, a better moment to improve the functioning of the Internal Market for construction operators is now coming with the general amelioration of its economic performance. Moreover, the forthcoming initiatives by the Commission – such as the services passport initiative³⁴⁹ – could

³⁴⁸ Source: Eurostat, CRESME.

³⁴⁹ Communication from the Commission, Upgrading the Single Market: more opportunities for people and business, COM(2015)550, 28.10.2015, at §2.3.

garner more praise and achieve more significant results. As for the Internal Market for construction products, regulated by the CPR, the situation is different, as this Market was already functioning to a large extent under the CPD, and the shift to the CPR, not altering the situation in many respects, kept a high level of effectiveness.

For domestic operators, improvements were largely at the margin. The SD triggered some simplifications also affecting the building regulatory framework, but the benefits were far more limited than the impact of the economic crisis. The LPD, and most importantly the 2011 revision, did foster an improvement for construction companies in many MS, resulting in lower financial costs, and counteracted to some extent the liquidity problems. At the same time, however, the effects started deploying only in 2013, and how the trends will develop in the coming years is yet to be seen.

The judgment is more complex for the Energy Efficiency policy area. Undeniably, support programmes targeted, though not exclusively, at the energy performance of buildings helped the sector to strive, especially in the most difficult years and the most troubled MS. The growing importance of the renovation segment, by far the largest recipient of these subsidies, demonstrates this. Support programmes benefited the construction sector at large, by limiting the decline in activities, as well as specific segments, such as the installers of heating systems or companies specialised in cost-effective energy-saving measures, like window installers. All in all, the EU framework played a positive, but not decisive, part for at least two reasons. First, while in general the EU framework for energy efficiency had a propulsive role, the impact was differentiated across the EU, as some MS had already convincingly taken this road long before the EU push and the impact of national policies was more significant. Secondly, and most importantly, support programmes, including beneficiaries, modalities, and the amount of money channelled through them to the construction sector, remained a national prerogative, and, in some cases, the selection of instruments was influenced by considerations that had little to do with energy efficiency and more with economic and industrial policies at large.

Still in the Energy Efficiency policy area, the positive effects that the various inspections and certifications foreseen under EU legislation had on the revenues for professionals are also worth mentioning. From a societal perspective, however, this is not a net benefit, but a transfer of resources from consumers. Differently, the effectiveness of other specific provisions, such as the uptake of recommendations include in the EPC, the impact of the GPP on construction activities, and the exemplary role of public buildings, was scant so far. In certain cases, the limited effectiveness may be linked to the short period of time elapsed from the adoption of the measures, but in other cases (e.g. EPC recommendations, role of public buildings) this explanation does not apply.

As for sustainability, throughout the decade more stringent energy requirements for new buildings and building systems were adopted across the entire EU. Clearly, requirements remained different across MS, reflecting different political preferences, a different health of the construction market, and different starting points. More stringent requirements, in any case, improved the sustainability of the construction sector, in terms of energy consumption in buildings. The support programmes and the boost to energy efficiency renovation also prompted the adoption of cost-effective energy saving measures in existing buildings. While the societal benefits are quantified in other Commission documents and background studies focused on these specific measures, evidence collected in this Study points to a growing awareness of energy efficiency among construction companies, exploiting market opportunities in this policy area. On a different note, the results from the integration of sustainability consideration within the CPR framework, as foreseen by the revised Annex I, are not yet available.

EQ5B. What are the obstacles that still stand in the way of achieving the objectives of a competitive and sustainable construction sector?

Here below, the most prominent obstacles that were identified in the fact-finding phase and legal analysis are discussed. As not all are equally important, the obstacles identified are split into two

groups, the most pressing and least pressing. Obstacles are considered as most pressing when they concern a large chunk of the construction sector, rather than having a specific nature. As they concern the bulk of market operators, addressing these obstacles could potentially produce large benefits. Less pressing obstacles concern only a specific sub-sector or market segment.

Most pressing obstacles

1. Incomplete simplification of the regulatory framework for domestic and cross-border construction service companies. EU legislation has a reduced leverage on construction and building regulation, being mostly competence of national, regional and local authorities. However, it can promote a progressive improvement of regulatory quality, in terms of both substantive rules – that should be as least intrusive and complex as possible given the objectives to be pursued – and application modalities. The SD failed to achieve this objective with respect to the construction sector, with market operators only perceiving limited improvements in this respect. The long chain of transmission, from Brussels to local municipalities, with multiple tiers of government involved, softened any possible impact. At the same time, however, whether the challenges in the regulatory framework applicable to the construction sector – a service activity with many peculiarities – can effectively be tackled by means of horizontal, as opposed to sectoral, legislation is questionable. Most strikingly, in the Energy Efficiency policy area a specific act for buildings, the EPBD, exists, while for the Single Market policy area the Study only analysed horizontal legislation also applying to the construction sector, such as the SD, the LPD and the PQD.³⁵⁰
2. An insufficient exploitation of Single Market opportunities. To start with, the Study dealt with a mostly local activity, the construction of buildings. For economic, regulatory, market and cultural reasons, these activities have a limited attractiveness for companies from other MS. That said, the amount of cross-border flows – and also the quality and availability of data about these flows – was substantially lower than expected. Any EU action should not be limited to regulatory barriers, appearing not to be the most prominent obstacle within the Single Market. A case in point is that of the PQD: while the regulatory framework is largely praised for its effectiveness and limited burdens, cross-border flows appear limited based on available data. More than removing obstacles, an active promotion of Single Market is needed in a sector facing structural constraints and reduced awareness of existing opportunities. Improving the knowledge of local languages, regulations and market environments is key to better exploit the Single Market. At the same time, **expanding the companies' network of competence across borders is also imperative** to widen the area where they operate. Unlike the market for construction products, where the issue was that of regulatory barriers to trade, the construction sector is faced with a multi-faceted challenge which needs to be tackled with different tools.
3. The payment culture. Late payments create costs for companies. When the associated liquidity problems become severe, late payments contribute to the ongoing erosion of the production base, or, in simpler words, to the closing down of main and sub-contractors. Construction companies are more affected than the overall economy, and, in most of the MS covered by the Study, the payment time for construction firms remains higher than the aim of the LPD. As a one-day reduction is estimated to generate benefits amounting to **€17 mln in just 6 MS, gains to be reaped are large, and even larger at EU scale. As late payments depend on an interplay of EU norms, national institutions, and local business culture and customs, the effectiveness of any EU intervention is limited by other constraints. At the same time, evidence points to the fact that EU action can be effective, especially when legislation is combined with other steps towards a MS, including budgetary policies, as was the case with Italy in the recent years.**

Less pressing obstacles

4. Disconnection between energy efficiency inspections, reporting, certifications, and subsequent improvements. The various inspections, reporting and certification obligations enshrined in the EED and the EPBD are useful for the society at large insofar

³⁵⁰ The CPR obviously has a sectoral approach, but its targets are construction product manufacturers rather than construction service companies.

as they lead to cost-effective interventions in buildings. In the same vein, they are useful for the construction sector insofar as these interventions generate additional activities, and thus revenues. Both primary and secondary evidence, however, points to a limited effectiveness of these measures. Any improvement would be beneficial for installers and providers of specialised construction services.

5. Take up of CPR derogations. The CPR introduced several derogations and simplifications, with the purpose of easing compliance by SME. Excluding art. 36 derogations, making pre-existing guidance binding and being largely used in certain sub-sectors, other simplifications had no noticeable impact on the sector. Possibly, the limited impact can be traced back to the fact that the CPR has been in force only for a short period. At the same time, stakeholders argued that the lack of clarity and guidance for both market operators and public authorities might explain the reduced take up of these derogations.
6. GPP and the exemplary role of public building. With respect to the exemplary role of public building, most MS opted out from the obligation to renovate 3% of the central **government's building stock each year, and largely focused on behavioural changes. From** the point of view of energy consumption, these changes may be as effective as building renovation. From the point of view of construction companies, for which the additional renovation activity could be a source of revenues, however, this is not the case. As for the GPP, the MS are going through a transition period, considering both the recent implementation of the applicable EED provisions and the new public procurement directives. In any case, clearly the GPP is currently not effective in contributing either to the competitiveness of the construction sector, or at least of its most advanced segments, or to its sustainability.

EQ6. What are the unintended positive or negative consequences and side effects of the selected EU acts?

The analysis identified two unintended consequences generated by the selected EU acts, in particular by the LPD and the EED/EPBD.

1. The *LPD* introduced a default payment term for both B2B and PA2B transactions, respectively at 60 and 30 days. Parties may derogate to these deadlines by introducing longer terms – provided that they are not unfair, and in any case not longer than 60 days for PA2B transactions – or shorter terms. In two countries where the payment duration was shorter than the LPD default terms, Germany and the UK, the payment period for construction companies increased between 2010 and 2014. The evidence and the analysis do not allow considering this a causal effect of the LPD, with payment terms not binding either MS or contracting parties, which may introduce a more favourable treatment. At the same time, LPD limits may have played a symbolic part, and hence unintendedly pushed parties to extend payment terms where they were already shorter. This claim was confirmed by some stakeholders. However, based on available evidence, to the negative development of payment time can only limitedly be attributed to the LPD.
2. The *EED/EPBD* provide for various non-equivalent and complementary certification schemes for the energy consumption of building, building systems and companies (including their buildings). Besides the costs generated for both professionals and consumers in these markets, the proliferation of schemes may unintendedly raise revenues for professionals, who may be called to produce multiple certifications.

Concluding Remarks – Effectiveness

Assessing the effectiveness of the acts in the policy areas of Internal Market and Energy Efficiency on the competitiveness of the construction sector is a difficult task, given the impacts of the economic and financial crisis. The performance of the construction sector was severely hit by the crisis, throughout the EU in general, and in particular in certain MS. In this context, any regulatory

intervention could hardly heal the effects of the crisis. On the one hand, the measures under the Energy Efficiency policy area, coupled with national interventions and support programmes, did help companies to thrive. Differently, the impacts of the Internal Market legislation were only limited. Here, a line must be drawn between the CPR, whose objectives have been largely achieved; the PQD, whose mechanisms worked well, but which resulted only in a limited number of professionals and craftsmen working abroad; and the SD, whose effectiveness for the construction sector is none to limited. With respect to sustainability in particular, the Energy Efficiency policy areas supported the reduction of energy consumption in buildings, while the Internal Market legislation is scarcely relevant on this respect.

5.5 Efficiency

The assessment of the efficiency criterion is based on the quantification of costs and benefits generated by the selected EU acts on the construction sector; this analysis is summarised under EQ7. Based on this quantification, the following aspects are also assessed: (i) to what extent costs are as low as possible, under EQ8; (ii) what is the impact of the identified legislative shortcomings on the performance of the sector, under EQ9; (iii) what are national factors having an impact of costs and benefits, and the magnitude of these impacts, under EQ10 and 11; and, finally, (iv) whether market-based cooperation could be identified with respect to the themes touched by the Study, under EQ12.

EQ7. What are the costs and benefits associated with the implementation and transposition of selected EU acts for the construction sector, in particular for its SME?

Here below, the quantitative assessment of costs and benefits attributed to the various EU acts for the construction sector is presented. First, the analysis delves into administrative and compliance costs and cost savings; then, new market opportunities are quantified. For each category, costs, benefits and market opportunities are presented per category of operator.

Costs and benefits, including new market opportunities, are compared with sectoral added value and, where relevant, turnover (source: Eurostat). Comparison with total market size is also used when discussing the regulation-induced markets, e.g. for energy efficiency-related construction activities (source: CRESME). The comparison is not provided when the costs and benefits estimated are too low compared to the sectoral added value (or turnover, or market size).

The coverage of MS is extended to EU28 when the analysis is based on own primary sources and Eurostat Data, i.e. for the CPR and the PQD. When more specific data sources are used (i.e. CRESME for the construction market, various EU and national sources for late payment statistics, and national sources for energy efficiency related markets) the coverage is limited to the 10 MS to be analysed in-depth by the Study. The diachronic coverage spans from 2004 to 2014 where possible, depending on data availability and the date of coming into force of the provisions.

Administrative and compliance cost and cost savings

Construction Product Manufacturers. The administrative burdens and substantive costs due to the applicable regulatory framework, i.e. the CPD and, from 2013 onwards, the CPR, were calculated across the 2004-2014 period. Furthermore, part of the burden savings generated by the CPR were also estimated, as well as one-off costs linked to the shift to the new legislation. In 2014, total CPR costs account for about 1.1% of the turnover, and about 3.8% of the sectoral value added. The increase in 2013, linked to the introduction of the CPR, is due to:

1. one-off costs due to the adaptation to and familiarisation with the new regulation. These **costs, were estimated at €522 mln in total, and annualised over 2013 and 2014 will not apply** as from the following years;
2. costs linked to the provision of the DOP to customers, taking savings linked to the eDOP into account.

No quantitative information is available on the cost savings effect of other simplifications, due to the limited take-up of these provisions. Regulatory burdens are summarised in Exhibit 5.2 below.

Exhibit 5.2 EU Regulatory burdens and Burden Savings Generated on Product Manufacturers **by the CPR/CPD in the EU (€ mln)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Total Costs for the Sector</i>	1,100	1,200	1,300	1,600	1,600	1,600	1,600	1,700	1,600	3,400	3,400
<i>Share over Value Added</i>	1.3%	1.4%	1.3%	1.5%	1.5%	1.6%	1.7%	1.8%	1.8%	3.8%	3.8%*
<i>Share over Turnover</i>	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	1.1%	1.1%

Sectoral Statistics refer to the Construction Product Industry, as defined in Annex II

**: Estimate based on 2013 Value Added. Source: Authors' own elaboration*

Professionals and Craftsmen. As discussed in Section 5.4 above, the administrative burdens generated by the PQD mechanisms are not considered significant by stakeholders, and are low both in absolute terms and compared to the mobility added value. In the most recent part of the period, **administrative burdens ranged from €1.3 to € 2.3 mln, mainly depending on the size of cross-border flows of professionals and craftsmen (i.e. the number of applications for establishment or temporary provision of services)**. The simplifications linked to the revision of the PQD were also quantified for the period 2008-2014, i.e. starting from its date of implementation. Savings were generated by the rationalisation and consolidation of the pre-existing acts on the mobility of professionals and craftsmen, and by introducing the temporary mobility regime.³⁵¹

Exhibit 5.3 EU Regulatory Costs and Cost Savings Linked **to PQD in the EU (€ mln)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Total Burdens</i>	0.3	0.9	0.9	2.4	2.0	1.8	1.6	2.1	2.3	2.3	1.3
<i>Total Savings</i>	-	-	-	-	0.8	0.7	0.7	0.9	1.0	1.0	0.5

Source: Authors' own elaboration

Construction Companies. Two effects on construction companies were quantified: (i) substantive (financial) cost savings linked to the introduction of the LPD; and (ii) administrative burdens linked to the EPC.

With respect to the LPD, financial cost savings could be quantified for 2014, i.e. the only full year in scope of the Assignment following the implementation date. In total, cost savings amounted to **about €160 mln, of which €119 mln were attributed to the EU framework, accounting for about 0.02% and 0.01% of the total turnover and about 0.05% and 0.04% of the value added in the MS for which data on savings are available, respectively.**³⁵² Exhibit 5.4 provides an estimate of the financial cost savings generated by the reduction in the payment duration in the construction sector in selected MS. Negative values refer to additional costs in countries where the payment time increased.

Exhibit 5.4 Financial Cost Savings Generated by the LPD in 2014 for the Construction Sector **in 6 MS (€ mln)**

	Total cost savings	EU cost savings
<i>Financial Cost Savings</i>	160	118.7
<i>Share of Sector Turnover</i>	0.02%	0.01%
<i>Share of Sector Value Added</i>	0.05%*	0.04%*

*Sectoral statistics refer to construction of buildings and specialised construction activities (NACE Sections 41 and 43). *: Estimate based on 2013 Value Added. Source: Authors' own elaboration*

³⁵¹ The comparison with turnover and value added is not meaningful here, given that burdens are almost insignificant when compared to sectoral statistics.

³⁵² MS are Belgium, France, Germany, Italy, Spain, and the UK.

With respect to the administrative burdens generated by the EPC, only a small share of the costs incurred due to this certification fall upon construction companies, with the bulk falling on owners, project developers and real estate operators. Data are available for the 2010-2014 period and are shown in Exhibit 5.5 below. The total burdens of EU origin for construction companies amount to **€23-30 mln per year**, which is a negligible amount compared to a value of production amounting to **about €875,000 mln in 2014 in the same MS (source: CRESME)**.

Exhibit 5.5 EU Regulatory Costs for Construction Companies due to EPC in 10 MS 2010-2014 (€ mln)

	2010	2011	2012	2013	2014
<i>Administrative burdens</i>	29.9	26.0	26.5	24.8	€3.0

Source: Authors' own elaboration

New market opportunities

Professionals and Craftsmen. Two market opportunities for professionals were quantified: (i) the mobility added value generated by the PQD; and (ii) the new revenues generated by the issuance of the EPC.

The added value generated by professionals and craftsmen moving abroad, both for establishment and temporary mobility, was estimated for the period 2004-2014. The impact of the mobility of professionals and craftsmen remains low compared to the size of the sector, amounting in 2014 to 0.04% of the value added for engineering services, 0.41% for the four crafts considered, and 0.29% for architects. Results are shown in Exhibit 5.6.

Exhibit 5.6 Mobility Value Added Generated **by the PQD in the EU (€mln)**

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Architects</i>	<i>Mobility Added Value (€mln)</i>	0.08	4.15	8.16	21.95	39.83	43.49	50.20	53.23	60.57	64.57	60.35
	<i>% over Sector Added Value</i>	0.00%	0.02%	0.04%	0.10%	0.15%	0.19%	0.22%	0.24%	0.27%	0.29%	0.29%
<i>Engineers</i>	<i>Mobility Added Value (€mln)</i>	2.59	6.82	10.86	14.70	17.62	21.76	27.08	31.87	37.79	46.41	41.59
	<i>% over Sector Added Value</i>	0.00%	0.01%	0.01%	0.01%	0.02%	0.02%	0.03%	0.03%	0.03%	0.04%	0.04%
<i>Masons, bricklayers, electricians, painters, and decorators</i>	<i>Mobility Added Value (€mln)</i>	5.47	21.12	37.82	104.55	166.21	182.01	219.45	279.78	338.08	393.81	472.02
	<i>% over Sector Added Value</i>	0.01%	0.02%	0.03%	0.08%	0.12%	0.15%	0.18%	0.23%	0.28%	0.34%	0.41%

Sectoral statistics refer to NACE Classes for professionals and craftsmen as defined in Annex II.

Source: Authors' own elaboration

The revenues generated by the **issuance of the EPC amounted to €611 mln in 2014 (the only year in which data for nine out of the 10 MS covered by the Assignment are available)**.³⁵³ The revenues have already been discounted for intra-value chain costs, i.e. by the share of EPC costs borne by construction companies. In 2014, this market accounted for about 0.5% of the value added generated by professionals in these 9 MS.

³⁵³ The steady amount of market revenues is largely due to the increase of data coverage from additional MS, especially for larger MS, in 2013 and 2014, and should not be interpreted a market increase.

Exhibit 5.7 EPC: New market Opportunities of EU Origin for Professionals (€ mln)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Market Revenues	0.9	4.2	122.9	212.5	166.8	170.5	170.6	325.5	611.0
% over Sector Value Added	-	-	0.11%	0.22%	0.16%	0.17%	0.16%	0.29%	0.54%*

Sectoral statistics refer to engineering and architectural activities (NACE Sections 71.11 and 71.12)

*: Estimate based on 2013 Value Added. **Source: Authors' own elaboration**

Construction companies. The total energy efficiency-related turnover for construction companies in both new and existing building segments was estimated for the sub-period 2010-2014, that is the years for which comprehensive data are available. The value of this business opportunity is considerably higher than the other categories of costs, benefits and market opportunities estimated above. In the residential markets of the 10 MS covered by the Study, the regulatory-induced market for energy efficiency-related construction activities amounts to about **€81,800 mln in 2014, of which about 91% (€ 72,900 mln) refer to renovation and € 8,900 bln (9%) to new buildings**. However, if only new business opportunities of EU origin are taken into consideration, thus disentangling national policy factors, the effect is lower, though still very considerable. In 2014, the EU regulation-induced market for energy-efficiency related construction activities **amounted to almost €26 bln bln, of which €21.3 for renovation, and €4.1 bln for new buildings**. This value is largely stable across the 2010-2014 period, varying between **€24.3 and €25.8 bln**. Compared to the overall size of the market for residential buildings in the 10 MS covered, EU-induced market opportunities account for about 7-8% of the value added at factor cost.

Exhibit 5.8 New Market Opportunities of EU Origin for Construction Companies – Renovation and New Building Segment, in 10 MS (€ mln)

		2010	2011	2012	2013	2014
New buildings	EU New Business Opportunities	2,617	2,942	2,976	3,268	4,129
	% over Total Market	1.5%	1.6%	1.7%	1.9%	2.1%
	% over Sector Value Added	0.8%	0.9%	0.9%	1.0%	1.2%*
Renovations	EU New Business Opportunities	22,100	21,977	21,300	€21,299	21,268
	% over Total Market	7.1%	6.8%	6.6%	6.6%	6.6%
	% over Sector Value Added	6.4%	6.4%	6.3%	6.4%	6.5%*
Total	EU New Business Opportunities	24,717	24,919	24,277	24,567	25,797
	% over Total Market	5.1%	4.9%	4.9%	5.0%	4.0%
	% over Sector Value Added	7.2%	7.2%	7.2%	7.4%	7.8%*

Sectoral statistics refer to value added at factor costs of NACE Sections 'construction of buildings' and 'specialised construction activities' (41 and 43). *: Estimate based on 2013 Value Added.

Source: Authors' own elaboration

EQ8. Are the benefits achieved at the lowest possible cost for the sector given the objectives of the legislation?

While a full-fledged comparison between costs and benefits remains out of the scope of the present Assignment – since only benefits generated on operators of the construction sector are considered, leaving aside the wider societal benefits of the selected EU acts – the following sections discuss whether some of the costs identified in the course of the analysis are additional compared to the possible minimum level of burdens.

Internal Market policy area

With respect to the CPR framework, stakeholders pointed out a certain duplication of costs between the CE marking and the DOP. In particular, the two tools include similar information which could be streamlined. This is considered as particularly burdensome in view of the possibility of including more information on additional product performances and characteristics within the CE marking in the coming years. Furthermore, having two parallel ways to CE mark construction products, one under hEN and one under EDD secondary regulations, possibly with different methods for measuring performance, is another cost which is perceived as a possible duplication. On the other end of the spectrum, the costs of the PQD, being a fraction of the added value generated, are not considered as hampering the achievement of the objectives of the legislation. Moreover, stakeholders do not consider PQD paperwork costs as a major barrier to cross-border mobility.

Energy Efficiency policy area

Assessing whether EPB requirements are the least stringent possible option to achieve the objective of energy efficiency legislation would require a comparison of costs and societal benefits. However, whether construction companies could bear the additional costs, e.g. in terms of physical or labour inputs, required to exploit this market opportunity depends on the pass-on factor, measuring a firm's ability to compensate higher costs by increasing prices for customers. The pass-on factor is influenced by various factors, including: (i) the very magnitude of the extra costs determined by more stringent regulations, as smaller increases are more easily transferred to clients; (ii) general market developments, i.e. the general trend in real estate prices and volume of transactions; (iii) the presence and scale of government financing schemes aimed at supporting the purchase of more energy efficient buildings; and (iv) house buyers' preferences, which may result in the willingness to pay a premium for more energy efficient houses. A qualitative estimate of this factor was done for the 10 MS in scope of the analysis:

- In *Belgium, Denmark, France, Germany, Poland, Romania and the UK*, available evidence suggests that construction firms were generally able to incorporate the extra costs into prices. After the real estate bubble of the mid-late 2000s, all countries experienced periods of declining prices. However, this mostly resulted in a reduction in the 'real estate rent', and did not fundamentally alter the cost plus pricing mechanism used by construction firms. In addition, in France and Germany the demand for high quality buildings was actively supported by subsidised lending schemes, therefore reducing the downward pressure on prices. Moreover, in West European countries homebuyers' preferences seemed to progressively reorient towards dwellings with higher EE standards for which they are prepared to pay a premium. Finally, in the case of Romania and Poland, the estimated extra costs linked to EPB requirements are quite modest, facilitating the passing-on to homebuyers.
- In contrast, in the case of *Ireland, Spain and Italy*, part of the extra costs linked to more stringent EPB requirements had to be absorbed by construction companies. In these countries, the decline in construction activity was deeper and/or more prolonged, resulting in a stronger downward pressure on prices. These negative market developments were only marginally mitigated by government programmes targeted at energy efficient new dwellings, that either did not exist (in Ireland), were short-lived (*Spain's Plan de Vivienda* was operational only in 2010-2012), or proved to be scarcely effective (*Italy's Plafond Casa*). Finally, with the partial exception of Ireland, evidence is scarce that homebuyers were willing to pay a premium for better energy performance. Under these conditions, from 2008 (in Ireland and Spain) and 2010 (in Italy) on construction firms were plausibly able to recoup only three quarters of the EE-related extra costs.

With respect to other issues in this policy area, the costs for construction companies related to the issuance of the EPC for new buildings were also quantified. These costs are minimal, and, as a result, more easily passed on to clients. Evidence of possible gold plating was identified with

respect to the certification of inspectors and RES installers. With regard to inspectors of air-conditioning system, France is the only MS among those covered in-depth in which an ISO certification is required. Inspectors have to be certified according to ISO standard 17024 by a body accredited by the French committee of accreditation. With respect to RES installers, again in France a certification scheme, the so-called *Reconnu Garant de l'Environnement* (RGE) was set up. Though not mandatory, resorting to an RGE-certified company is a prerequisite for customers to access public financial support for building renovation and RES deployment. RGE is not a certification *per se*, but a certification of existing accreditation or equivalent schemes (e.g. *Quali'Sol* for thermal solar, *Quali'Pac* for heat pumps, and *Quali'PV* for photovoltaic). Companies possessing these first-level qualifications can be RGE-certified. Though the RGE is a second-level certification, hence relying on existing schemes rather than setting up a new one, and simplifications were introduced (e.g. in terms of single audits for multiple technologies and systems), costs may still be significant for SME, amounting to approximately €1,000 for obtaining the qualification.

EQ9. To what extent do 'shortcomings' in the selected EU acts, or in its implementation/transposition at a national level, impact on the performance of the construction sector?

Based on the analysis presented in Sections 4 and 5.3, several shortcomings in the selected EU acts or their implementation at national level were identified as potentially having an impact on the performance of the construction sector, based on desk research, inputs from the OPC, and interviewees with stakeholders. However, detailed information on the impacts of these shortcomings were scarce, or pointing out that the impact was, in most cases, negligible. In general, companies were not able to provide a quantitative estimate of the impacts of these shortcomings. This is alone a signal that impacts may not have been significant in the period under analysis.

Several inconsistencies linked to legal drafting issues, e.g. with respect to definitions or cross-references were identified. They concern: (i) the definition of economic operators under the CPR, ELD, and EDD; (ii) the lack of explicit cross-references to energy-related products in the CPR; (iii) the definitions of energy, building, new building, and renovation under the EED, EPBD, and RESD; and (iv) the lack of cross-references with respect to energy performance of construction elements between the EDD and the EPBD. While a greater consistency in terms of legal drafting would be certainly desirable from a strictly legal point of view, neither the literature and jurisprudence reviewed nor the stakeholders consulted have highlighted situations in which the issues briefly summarised above have resulted in any tangible consequence for construction sector operators.

Then, four more substantive shortcomings were identified and are discussed more in detail below. Again, quantitative estimates of their impacts are not available. However, the assessment provides for a qualitative estimation of their current or potential magnitude where possible.

1. Overlap of ecodesign/energy labelling and CPR requirements. Several categories of construction products, as defined by the CPR, can be classified as energy-using or energy-related products, possibly falling under the EDD and the ELD framework. So far, EDD secondary regulations were approved for five construction products and in one case – solid fuel space heaters – a product is covered by both EDD requirements and a hEN.³⁵⁴ The EDD secondary regulation calls for a revision of the hEN, but only in its recitals, and the hEN revision process has not been coordinated so far with the legislative procedure. This overlap, and further potential overlaps should the scope of the EDD and the ELD be widened to other construction products covered by hEN, is perceived by stakeholders in the construction product industry as creating potential costs, because of duplication. In practice, the same product risks being subject to two different testing methods for **determining its performance, hence duplicating substantive costs. Stakeholders' views on**

³⁵⁴ As this overlap came into existence in 2015, while the Study focused on costs and benefits during the 2005-2014 period, it is not attributed any cost in the economic analysis.

the subject are somewhat divided. On the one hand, stakeholders representing the energy and environment sector argue that the EDD and ELD are helpful to address additional energy and environment-related issues not covered by the CPR. Construction product manufacturers have a strong preference to keep their products under the exclusive scope of the CPR, a regulation to which they have been subject with since long, and reportedly working smoothly for most operators. As such, energy efficiency requirements would be better dealt with within the current standardisation process, relying upon Basic Requirements 3 and 7, as defined in Annex I to the CPR.³⁵⁵ Having construction products subject to EDD and ELD requirements would, in their opinion, create unnecessary and duplicated burdens linked to duplicated testing methods, hassle costs due to the need to comply with a familiarise with different – and possibly misaligned – legislation. Furthermore, having two parallel routes for CE marking, both under the EDD and the CPR, would create confusion in the market as to its meaning – a meaning which was only recently clarified when the CPR was introduced. Based on the available information, this shortcoming has not generated so far significant costs for the sector. Furthermore, given that its scope is currently limited to one construction product, this overlap is not likely to significantly impact on the competitiveness of the sector in the future – though the scope may be increased in the coming years. Still, costs which may be limited overall could be significant for specific manufacturers and product segments, especially in the early familiarisation phase. In practice, the extent of the overlap will concretely depend on the standards and implementing measures adopted under the EDD. The impact is expected to be low in general, but possibly high on the segments affected by the duplication. Regardless of the magnitude, this overlap remains a clear case of unnecessary duplication of regulatory requirements, not in line with the Better Regulation principles.

2. Schemes related to the assessment of buildings and building systems. Both the EED and the EPBD include provisions for the assessment of the energy performance or consumption of a building or building system. More in detail, four schemes are set up in the two acts, namely: (i) the EPC of residential buildings; (ii) reports on the inspection of heating systems; (iii) reports on the inspection of air-conditioning systems; and (iv) energy audits of large companies. Under the current guidance documents, the EPC and energy audits are no longer equivalent,³⁵⁶ given the larger scope of the latter. This overlap may create at least three effects on the construction sector:
 - a. Costs of familiarisation for experts. Professionals involved in these schemes have to make themselves acquainted with the various procedures, methods, and content under the four schemes. Furthermore, as discussed above, they may need to obtain an accreditation/certification based on different requirements and from different bodies. This cost creates a barrier to entry in the various markets for each scheme, inducing an artificial segmentation and lowering competition. The barrier to entry may indeed reduce the number of experts available for each scheme, raising market prices and reducing incentives for the continuous development of professionals. From the evidences retrieved, costs are low in many countries, but may be significant, especially for independent professionals and SME, whenever (third-party) accreditation/qualification schemes are made mandatory or necessary to access public incentives.
 - b. Additional revenues for experts. Unintendedly, having various non-equivalent schemes may multiply the revenues for professionals involved in the assessment of buildings or building systems. Obviously, this is never a benefit for the society, as the consumer will eventually pay the bill for the various assessments. And, on second thought, this is also unlikely to be a benefit for most professionals. The multiplication of certifications is likely to reduce the compliance rate by consumers, and, by exhausting **consumers' willingness to pay, to skew the market towards low-price low-quality services**, making it more difficult for high quality professionals to thrive.

³⁵⁵ So far, Basic Requirements 3 and 7 have not yet been included in any hEN, hence there is yet no estimate of any possible regulatory effect.

³⁵⁶ The Commission Guidance Document advises MS to ensure that national transposition measures exploit synergies between the EED and the EPBD with respect to building and building systems schemes. Cf. EED Commission Guidance.

- c. Costs for construction companies. This cost is likely to be low to negligible. Both inspection reports and energy audits are paid by owners or tenants, and do not concern construction companies, not even those which both build and sell buildings, which only pay for the initial EPC. Conversely, a simplification of these schemes is unlikely to benefit construction companies.
3. Accreditation and training of experts. The guidance note of the EED explicitly states that synergies should be explored and consistency ensured between the qualification/certification criteria and schemes under the EED and the EPBD. At the same time, synergies may also be sought with accreditation and training of RESD experts. However, the existing potential for synergies is not yet exploited. Qualification and training remain a competence of MS, with wide differences from country to country. In addition, qualification/accreditation schemes and training programmes are not required to have a common basis and then, through a modular structure, be adapted to the various categories of energy efficiency building experts. The schemes are hence different for the various categories – corresponding to only partially overlapping needs –, and in some cases even managed by different public administrations at national/regional level. The lack of a better coordination may result, again, in entry costs, and thus barriers, in the various markets for professionals. The modular approach to qualification/accreditation and training programmes are considered by stakeholders and experts as potentially generating benefits – as cost savings because of reduced duplication – but no information is available on the magnitude of these effects.³⁵⁷
4. Insufficient implementation of SD provisions for the construction sector. The implementation of the SD for the construction sector at national and local level is far from being perfect. In particular, (i) the SD was mostly implemented by means of horizontal regulation, without any specific provisions relating to the construction sector; (ii) the SD was mostly implemented through principle regulations, hence not affecting how administrative procedures are applied, especially at local level; and (iii) in many cases, local entities lacked the expertise, skills and manpower to properly implement the SD. Accordingly, the various studies and reports by the Commission, as well as the empirical findings of this Study, identified a set of persisting regulatory barriers to the activity of construction companies. Furthermore, the cumulative application of Internal Market rules, including both the SD and the POD, lacks consistency and coherence. These barriers are likely to prevent operators from exploiting the full economic potential of the construction service sector, at both domestic and cross-border level. Hence, a reduction of these barriers, while preserving the level playing field for market operators, would on the one hand increase competition, reducing prices and increasing quality for consumers, and, on the other, spur additional economic activities, triggering a GDP increase and the creation of new jobs. The magnitude of these missed benefits depend on (i) how significant regulatory barriers remain across and within each MS; and (ii) what additional cross-border potential can be exploited by EU construction operators.

In conclusion, overlaps or inconsistencies identified in the selected EU acts affect, to a different extent, the various operators of the construction industry: manufacturers, with regard to the linkage between the CPR and the EDD; professionals, because of the duplication of certification schemes and accreditation and training requirements; and construction operators, with regard to the implementation of Internal Market rules. However, the expected magnitude of their impacts – though a quantitative estimate could not be provided – remains negligible to low. There may be exceptions, such as the impact of the overlap between CPR and EDD on specific product segments covered by both a hEN and secondary regulation under the EDD. Nevertheless, the first of such overlaps appeared in 2015, and it is too early to evaluate its effects; in any case, it is estimated that this problem hardly affects the competitiveness of the overall construction sector. Another exception could be the need to undergo multiple accreditation/qualification for EPB professionals; however, this is likely to create substantial burdens only when this accreditation/qualification is

³⁵⁷ Cf. CA EPBD, in particular the Core Theme 3 on Training.

made legally or *de facto* mandatory. With respect to Internal Market legislation, additional benefits could be tapped by better implementing the SD, for both domestic and cross-border operators. In any case, given that the regulatory framework is not the main barrier to construction activities, the current shortcomings may not be blamed for the limited output or profitability in the construction sector across many MS. On the contrary, the competitiveness of the sector is determined more by the general market trends and the economic situation. Regulatory simplifications and streamlining would clearly have a positive potential effect. At the same time, the overall competitiveness of the sector is better supported by appropriate financial and macroeconomic policies.

EQ10. How do the costs and benefits differ across the EU?

EQ11. What factors influence the costs and benefits, in particular with regard to national transposition?

National, and sometimes local, legislation remains the main means to regulate the construction sector, while the EU framework is not the most important driver. This is especially true for the Energy Efficiency policy area: whereas EU legislation sets targets and general requirements, the detailed regulation of EPB requirements, support measures, and expert accreditation/qualification are defined at national and regional level. Also in the Internal Market policy area, large differences persist with respect to the costs and benefits generated by the LPD, and, on a different note, the impacts of the SD. Here below, the impact of different national legislation is discussed in greater detail.

Energy Efficiency policy area

In the Energy Efficiency policy areas, differences across MS are more frequent than similarities. With respect to EPB requirements and support measures, in most MS the national framework has a greater impact than EU legislation, though the latter plays a fostering role and sets the general objectives. The requirements for the EPB are incorporated in building codes or equivalent **regulations developed by governments' authorities at national and/or regional/local level. Most of the countries covered by this Study have a fairly long history of regulating the EPB, with the first provisions often dating back to the 1970s or even the 1960s. During the 2004-2014 period, the regulatory framework underwent significant changes in all the countries in scope of the analysis. In particular, two main trends are present, though a different degree, across all MS: (i) the significant strengthening of EPB requirements; and (ii) the growing attention paid to building renovations. The process was different across MS. In particular, some MS opted for a more gradual approach, while others modified the levels of ambition 'en route'. National differences also persist in the way in which the EPB requirements are expressed. While there was a general trend towards the adoption of performance-based requirements (i.e. considering the EPB as a whole), in several cases prescriptive elements are still present in building codes.**

Changes in the regulatory framework went hand in hand with the deployment of financial measures aimed at supporting energy efficiency in buildings. Three main trends emerge from the analysis:³⁵⁸

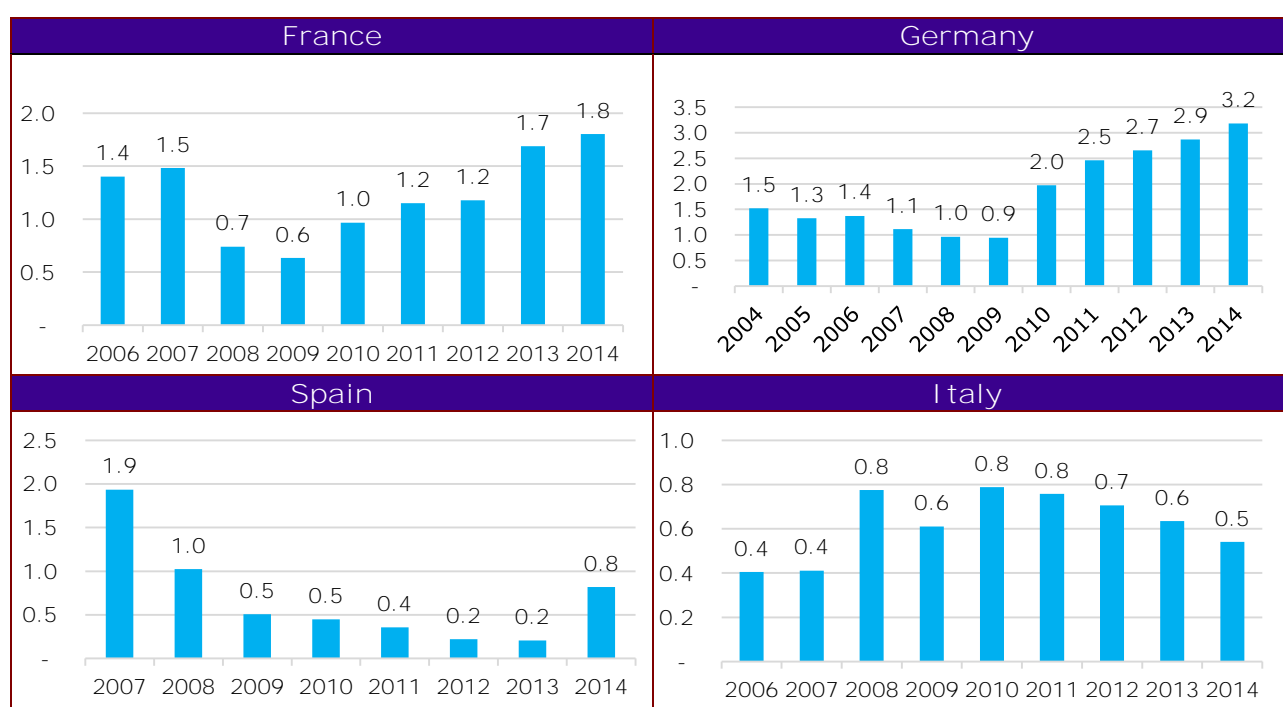
1. In most MS, the focus is increasingly on building renovation. Support to new buildings is available in some MS, but typically on a much smaller scale;
2. The range of instruments deployed is extremely varied, reflecting national preferences and customs. In some MS, the selection of instruments was influenced by considerations that have little to do with EE-related considerations.
3. There are significant differences across MS regarding the selectivity of government assistance. In some areas (e.g. Germany and the Flanders), support schemes are increasingly geared towards the achievement of progressively higher EPB standards. In

³⁵⁸ It is important to note that EE-related measures coexist with a number of other instruments aimed at **supporting building construction and/or renovation 'in general'. Often, these 'generic' support schemes can be cumulated with EE-related schemes, making it difficult to precisely assess the separate impact of the various instruments.**

other countries, a significant share of support is provided through 'broad' schemes, applying to a wide range of EE-related interventions.

The different national political contexts resulted in different trends in the EE-related markets. With respect to the market for new buildings, in France and Germany the tightening of EE requirements, combined with a market recovery, resulted in an overall growth of the EE-related market since 2011. In France, the market almost doubled between 2010 and 2014, from slightly less than €1 bln to €1.8 bln; in Germany, the EE-market for new buildings steadily increased by about two thirds between 2010 and 2014, reaching up to more than €3 bln. In contrast, in Italy and Spain, the effect of the progressive tightening of the EPB was more than outweighed by the drastic decline in the overall market, resulting in a negative trend. In Spain, the value of EE-induced new buildings jumped in 2014 by about four times, due to the strengthening of EBP requirements. In Italy, EE market size has been declining from 2010 onwards, up to about 500 mln in 2014, even though EPB requirements were made progressively stricter. Results are shown in Exhibit 5.9 below.

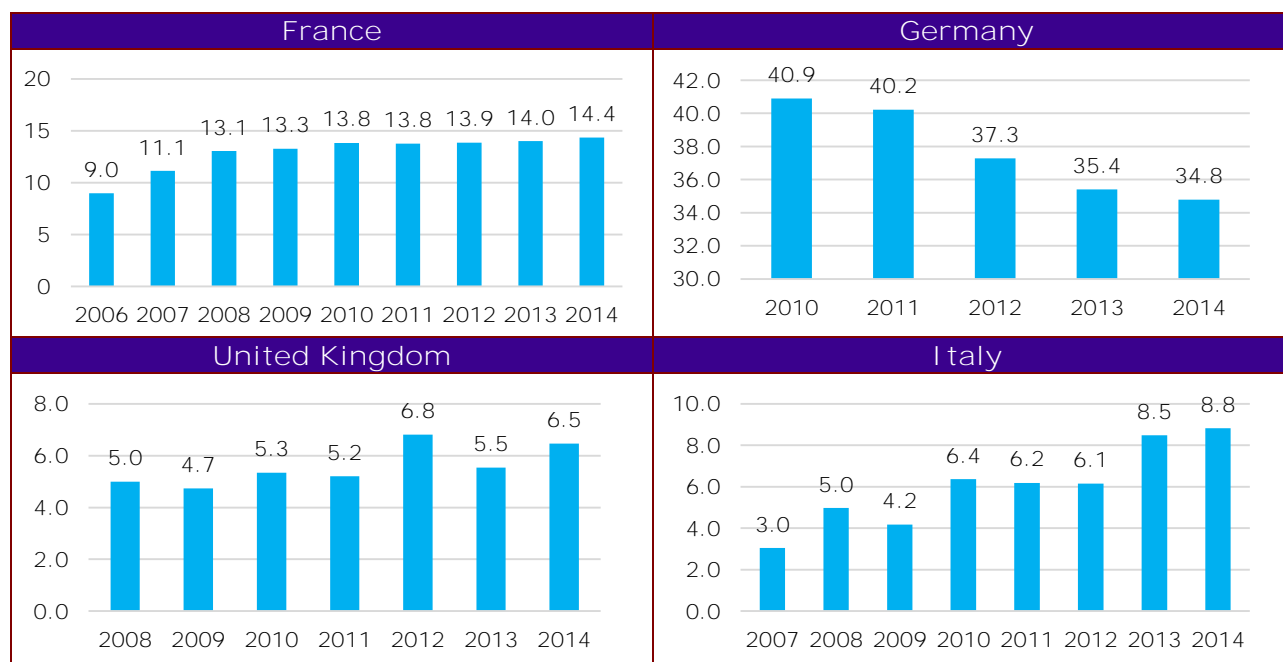
Exhibit 5.9 Development in the EE-Related New Building Market in Selected MS (€ bln)



Source: Authors' own elaboration

Results are also divergent with regard to the renovation market segment. Developments were globally negative in Germany, where the EE renovation market fell from some € 40 billion in 2014 to less than € 35 billion in 2010. This appears to be due to a decline in the RES segment linked to the reduction of government incentives. The decline in Germany is partly compensated by an increase in Italy, where the market grew from about € 6 billion in 2010-2012 to nearly € 8 billion in 2014, largely in connection with the increase in tax deductions for EE interventions starting in mid-2013. In France, after the strong growth recorded in the late 2000s, over the 2010-2014 period the market increased only marginally, by some € 0.5 bln. Positive developments can be observed also in Belgium and Denmark. In Spain, where the marginally declining trend until 2013 was due to a contraction in the general market, with a rebound in 2014. The UK is a special case, as the globally positive trend started in the late 2000s and stopped in 2012 due to the problems encountered by the Green Deal programme, leading to a drastic decline in the insulation segment (falling from more than € 2 billion to € 0.5 billion and only partially bouncing back to € 1.2 billion in 2014).

Exhibit 5.10 Developments in the EE-Related Renovation – **Selection of MS (€ bln)**



Source: Authors' own elaboration

Renovation of Central Government Buildings. Art. 5(1) of the EED requires all MS, as of 1 January 2014, to renovate each year 3% of the total floor area of heated and/or cooled buildings owned and occupied by its central government. The 3% requirement may be opted out of, in case a MS decides to implement other cost-effective measures leading at least to an equivalent amount of energy savings. At the current date, 11 MS decided to opt for the 3% renovation rate, while 17 MS opted for 'alternative' measures. Among the sampled countries, only Romania and Spain adopted the 'default' approach. In this context, additional revenues for the construction sectors in 2014 were estimated at €131.5 mln for Spain and €22.0 mln for Romania.

Accreditation and certification of experts/inspectors. The EPBD, the EED, and the RESD all provide for different mandatory or optional accreditation/certification schemes for experts and inspectors. In particular,

1. the EPBD requires that: (i) the EPC of buildings are carried out in an independent manner by qualified and/or accredited experts; and (ii) inspections of heating and air-condition systems are carried out by qualified and/or accredited experts;
2. the EED requires that energy audits are carried out in an independent manner by qualified and/or accredited experts; and
3. the RESD requires MS to ensure that certification or equivalent qualification schemes are or become available by 2012 for installers of small-scale RES generation capacity.

In all three instances, the implementation modalities of these requirements vary greatly from MS to MS, and sometimes within MS as well at regional level. The various frameworks are analysed extensively in Annex III to the Report. Information on costs was retrieved via interviews with installers and stakeholder associations. However, given the diversity of schemes across MS, the number of data points were not sufficient to quantify costs.

Internal Market policy area

Though quantification could not be provided, large differences were observed concerning the effects of the SD in terms of simplifications and increased foreign competition. As for the former, simplifications were clearly introduced to the regulatory framework applicable to construction activities following the implementation of the SD, but only in a small number of MS. In general, the effects perceived by construction companies were limited, i.a. because of differences in the national institutional framework. First and most importantly, in most MS the SD was implemented by means of horizontal legislation only, that is via legal principles valid for the whole services economy which not always translated into detailed procedures to be followed by the public offices in charge of specific economic activities. Especially in civil law countries, where public authorities, including local, are not used or even allowed to apply principles derogating from pre-existing detailed norms, the impact of the SD was limited to those MS which implemented the SD specifically to the construction sector. Secondly, SD simplifications largely concern the national legal frameworks. However, in several MS regional authorities also have legislative competences over building procedures and technical regulations; furthermore, local authorities are called upon to administer most of them. Some stakeholders claimed that local authorities lack the '**expertise, knowhow and means**' to implement the simplifications introduced. In addition, the regulatory playing field is reportedly uneven, with only a share of local authorities in the same MS administering simplified procedures. For instance, where the provision to set up a local one-stop-shop was introduced at national level, only a minority of municipalities did so.

As for the inward effects of the foreign competition which was fostered by the SD, the opinions and data retrieved showed the negative perception by stakeholders and firms varies from MS to MS. First and foremost, the impact of increased competition is mostly felt in the MS which (i) can be conveniently reached, e.g. are not islands or too peripheral; (ii) have high gross labour costs, i.e. including taxation and social contribution; and (iii) have a healthier and sufficiently large construction market to justify access by foreign companies from an economic point of view. Furthermore, the impact on healthier markets was exacerbated in recent times due to the economic crisis which affected the construction markets in certain MS severely. Belgium and France match this description and were among the countries in which both companies and trade associations had the most negative assessment of increased competition. In particular, 100% of Belgian and French respondents reported an increase in competition, while, at the other end of the spectrum, the share is the lowest for British and German operators. Italy is a case in point with regard to this cleavage, as foreign presence is frequent in Northern regions, which are more easily reachable and have a healthier market, while comparatively less relevant in Southern areas.

EQ12. How are the various aspects related to inefficiencies and unnecessary burdens addressed by MS and the affected industry sector in terms of cooperation and coordination?

During the Assignment, two market-based coordination mechanisms were identified:

1. a market solution was found concerning the barrier to cross-border activity represented by insurance requirement in France; the solution was supported by the French insurance federation and companies and, in case of German contractors, by the German federation and insurance companies;
2. in France and Italy, the cooperation between energy companies and construction operators with regard to the implementation of energy efficiency obligations resulted in being beneficial for both groups – though with possibly conflicting interests.

Cross-border insurance requirements. Insurance requirements for construction companies are still considered a barrier by stakeholder associations, and some of the interviewees reported that they could not rely on their own insurance coverage when going abroad. Problems in the mutual recognition of insurance requirements have several causes, linked to both the regulatory framework and the functioning of the insurance market:

1. national regulatory frameworks on insurance requirements are extremely different from country to country, and no EU piece of legislation harmonises the professional liability for

- construction operators. As a result, assessing whether an insurance issued in country A **can be considered as 'equivalent or essentially comparable'** in light of the requirements of country B is very difficult;
2. the professional liability insurance is a complex product, and the coverage granted to the insured company may vary over a large number of parameters. Consequently, assessing whether each insurance coverage subscribed by a foreign construction operator is **'equivalent or essentially comparable' given the requirements of the host MS is even more difficult**; and
 3. insurance markets tend to exclude the coverage of idiosyncratic risks, i.e. risks for which an insurer cannot estimate ex ante the distribution of probability of adverse events, as may be the case for cross-border activities.

While barriers and costs linked to insurance requirements persist, stakeholders concurred that problems are less significant than a few years ago. In particular, reference was made to the fact that foreign companies intending to operate in France found it very difficult to buy a coverage there due to the *garantie décennale* required from contractors. A market-based solution was eventually identified, and perceived as a working solution. In 2010, the French federation of insurance companies set up a point of contact for foreign companies, providing information about insurance requirements and a guide on how to obtain a coverage.³⁵⁹ At the same time, agreements were signed between French and other EU insurance companies to ensure the flow of information about insured subjects and risks, and thus to sell, or have sold by a partner company, the coverage requested. Today a construction company intending to operate in France has three possibilities:

1. if its own insurance company sells the coverage for the *garantie décennale*, the contractor can adapt its existing insurance contract. This service is available only through specialised insurance providers, such as VHV in Germany;
2. if its insurance company is part of a multinational group or one of the agreements **mentioned above, the contractor can be redirected to its company's French counterpart** and negotiate the purchase of the coverage. This case is also relevant to contractors wishing to operate in any other MS: to top-up or purchase a coverage in compliance with the host country legislation, a contractor may contact its own insurance company, which can redirect the client to an international partner, e.g. within the same insurance group or its network;
3. if neither of these situations applies, the contractor can look for a French insurance broker, **and be supported by the federation's point of contact in doing so.**

Currently, in French neighbouring countries stakeholders report that the purchase of such a coverage is possible, though problems can still exist concerning its costs, which may not be worth incurring for small projects or for works with a short duration.

Efficiency Obligations for Energy Companies. Article 7 of the EED requires MS to set up an energy efficiency obligation scheme, ensuring that energy distributors and retail companies (**hereinafter 'obligated parties'**) **reduce the sale of energy, by volume, at least by 1.5% per year.** Broadly speaking, the savings are to be obtained by reducing the energy consumption of final users, including both households and industrial customers. Among the 10 MS in the scope of the analysis, only two countries completely opted out from setting up such a scheme, namely Germany and Romania; in Spain, the government expressed the intention to establish the scheme, but still has not done so.

Obligated parties have to either contribute to the funding of these schemes, or implement energy saving measures themselves. In several cases, the obligation to implement energy-efficient measures is coupled with a market for so-called **'white certificates', i.e. tradable certificates** corresponding to a certain amount of energy saved. The redemption of these certificates, based on the projects undertaken, enables obligated parties to comply with their obligation. In case the energy saved is lower than the mandatory target, certificates can be bought on the market.

³⁵⁹ Available at: http://www.ffsa.fr/sites/jcms/p1_1591570/fr/construction-insurance-the-bureau-of-european-manufacturers-set-up-by-the-ffsa?cc=p1_1371900 (last accessed on May 2016).

Where schemes require energy distributors and retailers to undertake energy saving actions, great attention is paid to small refurbishments in existing buildings, and in particular to heating systems, especially boilers, other building systems, such as ventilation and air-conditioning, windows, and insulation. These interventions in existing buildings are deemed to be cost-effective. Furthermore, energy distributors and retailers are already in contact with end users for marketing and billing reasons, and, as a result, have the means and capacity to propose small-scale improvements. As a consequence, these obligations resulted in new business opportunities for the construction sector, in particular for installers of building systems (especially heating) and windows, and to a lesser extent for construction operators, in case of insulation works or other larger interventions. In France and Italy, these schemes fostered the creation of a coordination mechanism among energy companies and providers of specialised construction services.

1. In *France*, in 2014 90.1% of **the savings linked to the scheme 'Certificats d'économies d'énergie', that is about € 202 mln, were invested in interventions on existing buildings**, especially on heating systems and building envelopes. Based on these schemes, large French energy companies set up networks of operators: the energy operator sells energy-efficiency interventions to its customers, who can pay in instalments via the energy bills, and has its partner craftsmen carrying out the intervention on its behalf. For example, EDF set up the *Blue Ciel* platform, in which more than 4,000 French artisans, mainly installers, take part. While these networks create business opportunities for small craftsmen, EDF obviously enjoys a higher bargaining power, and is thus able to demand access requirements, fees, and other quality service requirements. French artisans are reportedly gladly participating in these networks, because of the business opportunities and because they can reach to the EDF network of customers.
2. In *Italy*, energy distributors and traders participate in the '*Certificati Bianchi*' scheme. In 2014, small-scale interventions in existing buildings accounted for about 16% of the value **of the scheme, i.e. about €130 mln. The most common standard interventions include wall insulations, the substitution of boilers, and other improvements of the heating and cooling systems.** Also in Italy, large energy companies try to leverage on their commercial and **financial capacity and customers' knowledge to sell energy-efficiency interventions** in building. Previously, the Italian legislation had prevented energy distributors from carrying out installation activities to avoid unfair competition and economic dependency. However, the provision was found in breach of the EU treaties. Since then, large companies, e.g. *Enelenergia*, have been offering energy-efficiency interventions to their customers.

Concluding Remarks – Efficiency

With respect to the assessment of the efficiency of the Internal Market policy area, the only significant categories of costs identified are generated by the CPR, which affects product manufacturers. On the contrary, the costs generated by EU legislation for contractors and professionals under other acts are negligible. This is again in line with the consideration that national and sometimes local framework matter significantly more. At the same time, benefits were also limited, the most important being new business opportunities under the POD and financial cost savings under the LPD. In both cases, however, benefits only account for between 0.04% and 0.4% of the sectoral value added. Differently, the impact of the Energy Efficiency policy area was far more significant, with the business opportunities linked to EU legislation in the energy efficiency-related markets amounting to **about €25 bln, or 7.4% of the sectoral added value.** For professionals, significant business opportunities accrued from the EPC certificate, though the impact in terms of sectoral added value is only about 0.5%. All in all, both policy areas produced limited effects in terms of unnecessary costs. Importantly, however, a clarification is needed in this regard: companies in the most distressed markets may not have been able to recoup all costs linked to a more stringent EPB, in both the new building and renovation segments.

The impact of a set of shortcomings identified under the coherence analysis was assessed under EQ9, largely in connection with the provisions in the Energy Efficiency policy area and the energy product legislation. Quantitative estimates of the costs due to these shortcomings in the period under assessment are not available. However, the expected magnitude of their impacts remains

negligible to low. There may be exceptions, such as the impact of the overlap between CPR and EDD on specific product segments covered by both a hEN and secondary regulation under the EDD; or the need to undergo multiple accreditation/qualification for EPB professionals in certain MS. With respect to Internal Market legislation, shortcomings and obstacles persist, in particular with respect to the implementation of the SD in favour of the construction sector, and the functioning of a Single Market for professionals and construction companies. Surely, regulatory simplifications and streamlining would clearly have a positive potential effect. At the same time, the overall competitiveness of the sector is better supported by appropriate financial and macroeconomic policies.

The national frameworks have a large impact on the costs and benefits measured under this Study, especially when it comes to the Energy Efficiency policy area. There, national decisions on energy efficiency requirements, and, most importantly, support measures, remain the main regulatory drivers. Also for professionals, national and regional norms are the main drivers with respect to the accreditation and certification of experts. The national implementation, or lack thereof, also impacts the costs and benefits generated by the Internal Market legislation, with respect in particular to the SD and the LPD.

5.6 EU added value

EQ13. What is the added value of action at EU level, especially for SME?

EQ14. What would have happened to the construction sector if the selected EU acts or some of their specific provisions were to be removed and/or handled at MS level?

The pieces of legislation in the scope of the analysis generate EU added value in case their objectives are better achieved at Union level compared to e.g. national or local policies. In this respect, the analysis of these EQ builds upon the effectiveness and efficiency criteria discussed above with regard to the extent to which EU rules can promote a sustainable and competitive construction sector in a cost-efficient way. In the following paragraphs, the EU added value is assessed mainly qualitatively, and focusing on the attribution of regulatory benefits, cost savings and costs to the EU rather than national level and the calculation of the share of the costs which is independent from the regulatory framework (the BAU factor) In this respect, two clarifications are necessary: (i) the analysis below is centred on the EU added value delivered to the construction sector rather than to the EU economy as a whole; and (ii) the assessment of the EU added value relies on a series of assumptions that were extensively discussed in Section 3 and Annex III.

Internal Market policy area

All costs and cost savings stemming from the CPR are of EU origin, but not entirely additional when compared to the BAU activity. Most importantly, while regulatory costs would not entirely disappear in the absence of EU provisions, CPR benefits (in particular the additional trade flows and thus lower prices and better quality for customers; harmonisation of requirements for multinational and cross-border companies; simplifications, especially for SME) would be substantially reduced by a piecemeal national approach to the assessment and declaration of performance of construction products. More in detail:

1. the full attribution of regulatory costs and cost savings to the EU framework is explained by the fact that the current legal framework is based on a regulation rather than a directive, and an opt-out clause no longer exists for MS intending not to impose CE marking obligations;
2. the calculation of the share of BAU activities is based on the content of the DOP and CE marking, conveying commercial information that companies would have, at least partly, provided to their clients even in the absence of any legal obligation; and
3. national and local rules would remain even without an EU framework because building **regulations largely rely on 'construction product specifications', which in turn require some kind of performance declaration.**

When it comes to the administrative costs linked to the provision of the DOP and CE marking, the BAU factor is estimated at 40%. As regards the substantive costs linked to the obligation to put in place factory production controls and perform AVCP, all companies reported that the majority of such costs would be incurred in any case. As manufacturers care about the quality of their products and perform testing and other quality management processes on an ongoing basis, the BAU factor is estimated at 100%. Differently, Internal Market benefits could not be estimated for two reasons. First, the EU framework has been in place since 1989 and information on alternative scenarios could not be retrieved by companies. Secondly, stakeholders did not consider the CPR among the main factors for cross-border trade because of the limited tradability of most construction products. Interestingly, this does not mean that the CPR does not generate any benefits. On the contrary, the benefits in terms of costs savings stemming from a single EU regulatory framework are entirely attributable to the CPR and would not be achieved otherwise. Importantly, these benefits accrue mainly to companies operating in several MS rather than to SME serving local markets.

The PQD is a 'typical' EU act providing for mechanisms regulating the cross-border flows of people and goods. The cross-border effects and spill-overs lead to conclude that the EU action generates benefits that MS would not achieve on their own, or with higher coordination costs. For this reason, the new market opportunities generated by the PQD are considered fully of EU origin. Importantly, the estimate of PQD benefits may not fully capture the EU added value generated by cross-border flows of construction professionals and craftsmen, because they did not consider workers going abroad on the grounds of other EU provisions (e.g. the SD or the Posting of Workers Directive), working with local partners, or as employees. In the same vein, the administrative burdens linked to the PQD mechanisms, which are very low compared to the mobility added value, are also fully of EU origin. In summary, the effective reduction of regulatory barriers in the field of construction professions can only be achieved via an EU action, explaining the EU added value of the PQD.

The attribution of benefits to the SD is quite difficult, as these effects are limited to a small number of MS and largely overlap the impacts of other EU policies targeted at cross-border operators or national actions targeted at improving the regulatory environment. In this respect, **the stakeholders' opinions did not provide a clearer picture. For instance, some governments argued** that specific simplifications were made as a result of the implementation of the SD; other governments pointed out that the SD is a more horizontal piece of legislation with a limited role for the construction sector. Construction operators were generally unable to find a direct relation between the simplification of national or local regulatory frameworks and the SD. In the few cases where some benefits were identified and attributed to the SD, stakeholders were not able to quantify them. Also with respect to the Internal Market aspects and impacts on cross-border construction activities, attributing benefits to the SD is rather difficult, as the mobility of construction companies is still limited by several other factors (e.g. labour intensity, complexity of the supply chain, knowledge of the local market, etc.). The limited mobility is particularly relevant to SME (except those operating in niche markets), generally operating in a small area **(within some 50km) and not having enough capacity (including financial and human) to offer 'all-inclusive' building services to foreign consumers and handle large projects** that are worth the effort of going abroad. All in all, in light of a partial implementation, the EU added value of the SD for the construction sector seems to be still limited.

The EU added value of the LPD for the construction sector varies from country to country. In some MS (such as Italy), this Directive, jointly with other EU actions, was a breakthrough to combat late payments in the construction value chain. In some other countries (such as Germany, Spain and the UK), the LPD played a more limited part as decreasing trends in payment duration had already been registered before the enactment of this piece of legislation. Finally, the picture is more mixed in Belgium and France, where the LPD reinforced the impact of national actions. Based on this fragmented picture at MS level the conclusion can be drawn that in the absence of this Directive some MS would not be able to contain payment duration; on the contrary, some other EU countries would effectively ensure timely payment via national measures. Interestingly, SME, generally having a weaker bargaining position, are the operators benefiting the most from an EU action reducing payment time. Nonetheless, in this context, stakeholders (including SME) are less

optimistic and estimate a limited role for the LPD in combating late payments in the sector.

Energy efficiency policy area

As regards the pieces of legislation included the energy efficiency area, the EE-related market generated by the provisions of the EPBD and EED clearly features an EU added value. Providing an accurate estimate is difficult, as MS retained a large degree of autonomy in e.g. setting and tightening EPB requirements, devising national strategies for the renovation of buildings, and deploying financial measures supporting such strategies as well as the market uptake of EPB requirements. Against this background, the assessment of the EU attribution has to rely on qualitative assumptions and, more importantly, account for national specificities. As a result, EU legislation is considered as generating 31% of the total EE market in the ten MS covered by this assignment, with a greater role for the new building segment (41%), and smaller for renovation (30%), with national support programmes playing a more important part. This share of the EE market accounts for 5% of the entire market for the construction of buildings, i.e. some 7% of the renovation market and less than 2% of the market for new buildings. As mentioned, the EU added value of energy efficiency legislation delivered benefits to all links of the construction value chain, which is dominated by SME. Furthermore, EPB requirements affected also a share of manufacturers of construction products and had a high degree of additionality (and thus a low BAU factor) compared to the business-as-usual market demand. Nonetheless, the added value of EU energy efficiency measures is unevenly distributed across MS, implying that the removal of EU actions in this field would generate marginal impacts in some EU countries (e.g. Belgium, Denmark, France, Germany and UK) where national measures would deliver comparable benefits. In other MS (e.g. Italy, Poland, Romania and Spain), differently, the absence of EU rules would impinge on the functioning of the EE market in the construction sector.

When it comes to the administrative burdens generated by the EPC system under the EPBD and new business opportunities for professionals issuing these certificates, the share of the costs and benefits attributable to the EU level is equal to 100% in the majority of EU countries. The only exceptions are Denmark and Germany, which had already introduced some forms of certification schemes before the enactment of the EPBD. On the contrary, the EU added value, as well as the effectiveness, of the recommendations included in EPC for the construction sector is deemed very limited by both stakeholders and secondary sources.

With regard to other energy efficiency measures, a potential EU added value is generated by the provision requiring MS to renovate at least 3% of central government buildings (art. 5 EED), as the BAU energy-efficiency renovation rate is only 1.7%. Hence, if applied by all MS, this provision would trigger the additional renovation of 1.3% of central government buildings per year. The obligations for energy traders and distributors established by article 7 of the EED may represent a source of additional business opportunities for construction companies, especially for SME providing small-scale interventions to residential customers. Nevertheless, these benefits can only be partially attributed to the EU level as requirements for energy traders and distributors were already in force in some MS before the enactment of the EED. In addition, the actual effects largely depend on implementation modalities, which are entirely left to MS. In the same vein, a large degree of autonomy is left to MS when it comes to the accreditation and certification of inspectors of building systems (EPBD) and of RES installers (RESID). As a result, the EU added value of both schemes in terms of skill enhancement, business opportunities and cost savings is rather difficult to assess.

Finally, as a very limited portion of construction related products were covered by the EDD and ELD, the EU added value of these two pieces of legislation for the construction sector cannot be evaluated.

Concluding remarks – EU Added Value

The added value of actions at EU level for the pieces of legislation included in the Internal Market area appears appreciable. A clear case for EU added value was found for the CPR and the PQD. The EU added value varies across MS with respect to the LPD and is limited in the case of the SD. While the objectives of the CPR, the PQD and the SD by their very nature can be achieved only via EU actions, the actual attribution of benefits or cost savings to the EU government tier is complex as some Directives were still poorly implemented, the tradability of construction products and the mobility of construction services and professionals were still quite limited and encountered obstacles other than the regulatory, and the impacts of these pieces of legislation largely overlapped with other EU and national rules. Interestingly, an important share of the EU added value for the construction sector can stem also from the synergies among these three acts insofar as they facilitate the cross border mobility of all the actors of the construction value chain. With respect to the LPD, while its objectives could be achieved also via national rules, this Directive can have a major role in levelling the playing field across the EU and fostering a pan-European culture for timely payment.

The EPBD and the EED contributed to create an EE market for both new buildings and renovations. In this respect, the EU added value of energy efficiency legislation seems to be more prominent (although unevenly distributed across MS) and deliver quantifiable benefits at all links of the construction value chain that would not have been achieved in the absence of EU actions. Importantly, the EU added value is the result of reinforcing effects between these Directives. Although the value of EU actions related to the EPC (which seems to be confined to opportunities for professionals issuing certificates) and to other energy efficiency measures (whose attribution to EU rules is unclear) is more limited, the overall EU added value for the construction sector of the energy efficiency legislation can be assessed as medium.

6. CONCLUSIONS

6.1 Overview of Economic Impacts

A comprehensive view of the costs and benefits generated by the EU legislation is provided in Exhibit 6.1 below, which summarises the influence exerted by the selected pieces of legislation and provides an indication of the values at stake in 2014.

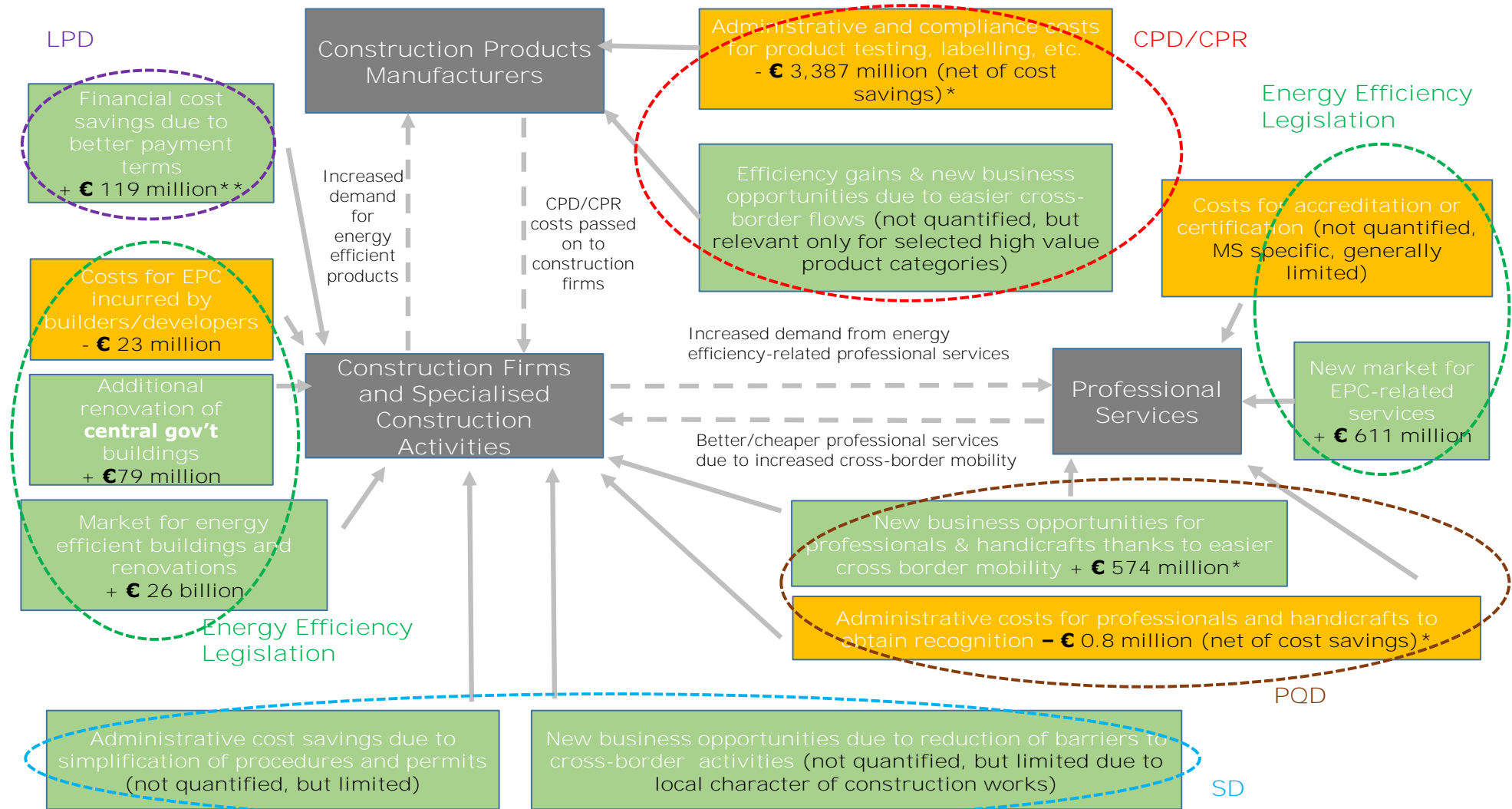
As already illustrated in the preceding sections, not all the impacts identified could be quantified or, when quantified, could be expressed in the same units of account. Also, the effects occur at **different stages of the construction value chain and therefore carry a different 'sign' depending upon the perspective adopted** (i.e. the benefits accruing to, say, service providers tend to translate into costs for construction companies). For these reasons the impact of EU legislation cannot be summarized in a single, all-encompassing figure. However, it is certainly possible to *provide an indication of the relative importance of the effects generated by the various pieces of EU legislation, both for the 'broad' construction sector and for its main components.*

*The legislation on Energy Efficiency (mostly the EPBD, but also the EED and the RESD) has the most pervasive influence, directly impacting on both the 'core' construction sector and professional services, as well as indirectly on the construction products industry. The impact on the 'core' construction sector is substantial, as the value of the market for energy efficiency buildings and building renovations attributable to the EU legislation is worth **some € 26 billion** (including additional renovation linked to the exemplary role of public buildings), a multiple of any other estimated impact. However, an unknown but presumably substantial part of this market, concerns the purchase of construction products and is then passed on upwards to (a segment of) the manufacturing industry. The effects on professional service providers are also substantial. With respect to direct effects, the estimated value accruing to **professionals from the new market for EPC amounts to €611 million in the 10 MS covered in depth** by the Study; to the contrary, most of energy performance certificates costs fall outside the construction value chain, and **builders/developers are estimated to pay about €23 million** for them. With respect to indirect effects, professional service providers benefit from an increase in the demand for such services due to the increased demand for energy-efficiency construction activities.*

*As for the legislation on the Internal Market, the Construction Products Regulation has a significant direct impact on the construction products industry, resulting in **an increase in costs of about € 3.4 billion**. However, a share of these costs is likely to be 'passed on' to the buyers of construction products. The benefits of the CPR in terms of efficiency gains and new market opportunities could not be quantified, but mostly concern specific segments of the industry, such as high value-to-weight and niche products, as well as large multinational companies.*

*With respect to the other pieces of legislation having an impact on construction firms and specialized construction activities, the Service Directive has a potentially quite pervasive influence on the construction sector, by reducing the regulatory burdens for domestic operators and fostering cross-border business opportunities. However, for the reasons explained in detail in Section 3.4, *limited evidence of these impacts could be retrieved*, from both interviews and the OPC. A quantitative estimate of these impacts is thus not provided. To the contrary, a quantitative estimate is available for the effects of the Professional Qualifications Directive on professionals and craftsmen providing specialized construction activities. In 2014, the *cross-border mobility added value generated by PQD mechanisms is estimated at **about €574 million***, that is the third largest impact among those quantified. The administrative costs (net of cost savings) generated by the PQD are estimated at **€0.8 million in 2014**. Finally, *an estimation of the financial gains linked to the Late Payments Directive for construction firms is available for **6 MS, and amounts to €119 million**.**

Exhibit 6.1 Summary of Economic Impacts



Notes: in green, positive impacts (new market opportunities; cost savings); in orange, negative impacts (costs); in grey: typology of economic operators. Solid arrows refer to direct impacts while dotted arrows show indirect effects. Impact figures refer to the 10 MS analysed in detail, except for those with * which refer to EU28 and those with **, which refer to BE, DE, ES, FR, IT, UK

6.2 Impact of Legal Shortcomings

The legal analysis identified several shortcomings, such as inconsistencies, overlaps, or missed synergies, in the acts in scope of the analysis. In Exhibit 6.2 below, the impact of these shortcomings is assessed on a qualitative scale. As already discussed in Section 5.5 above, in general legal shortcomings do not currently affect the performance of the sector to a significant extent. However, with respect to the overlap of the CPR and the EDD and the implementation of the SD for domestic operators, the potential impacts – both in terms of costs and benefits – may be larger in the future.

Exhibit 6.2 Impacts of Legal Shortcomings

Issue	Impact
<i>Inconsistencies in definitions, cross-references³⁶⁰</i>	<ul style="list-style-type: none"> • <i>Negligible</i>
<i>Overlap of the CPR and the EDD/ELD</i>	<ul style="list-style-type: none"> • <i>Limited costs for the whole sector, but increasing if and when the scope of the EDD is extended to other construction products</i> • <i>High costs for manufacturers of specific products covered by both hEN and the EDD</i>
<i>Overlap of schemes for the assessment of buildings / building systems (EPBD, EED)</i>	<ul style="list-style-type: none"> • <i>Limited costs of familiarisation for professionals, but more problematic: (i) for independents and SME; or (ii) in MS where third-party certification is mandatory</i> • <i>Moderate additional revenues for professionals</i> • <i>Negligible costs for construction companies</i>
<i>Accreditation and training of experts (EPBD, EED, RESD) and interaction with PQD/SD</i>	<ul style="list-style-type: none"> • <i>Opportunities for exploiting moderate synergies across EE-professions</i> • <i>Potential to allow for automatic recognition for cross-border services</i>
<i>Insufficient implementation of the SD provisions</i>	<ul style="list-style-type: none"> • <i>Limited costs and high potential from simplifications for domestic construction companies (via better/targeted/detailed implementation, raising awareness at local level and across market operators)</i> • <i>Limited cost, and limited potential largely limited to domestic impact in relation to simplifications for cross-border construction companies</i>

Notes: the scale is as follows (i) negligible; (ii) limited; (iii) moderate; (iv) high.

Source: Authors' own elaboration

At the same time, issues other than inconsistencies, overlaps or missed synergies, which may generate costs or limit the potential benefits for the construction sectors were identified. Their impacts, either actual or potential, are summarised in Exhibit 6.3 below.

³⁶⁰ Several inconsistencies linked to legal drafting issues concern: (i) the definition of economic operators under the CPR, the ELD, and the EDD; (ii) the market surveillance mechanisms under the CPR, the ELD, and the EED (iii) the lack of explicit cross-references to energy-related products in the CPR; (iv) the definitions of energy, building, new building, and renovation under the EED, the EPBD, and the RESD; and (v) the lack of cross-references with respect to the energy performance of construction elements between the EDD and the EPBD.

Exhibit 6.3 Impacts of Other Issues for Which Quantitative Assessment Could not be Provided

Issue	Impact
<i>Usefulness of information mandated in DOP</i>	<ul style="list-style-type: none"> • <i>Uncertain impacts</i>, as stakeholders are split among those who consider the DOP as a useful document, and those who do not and call for a simplification of the information jointly provided via the DOP and the CE marking
<i>Clarity of CPR simplifications (art. 36 to 38)</i>	<ul style="list-style-type: none"> • <i>Limited benefits so far (moderate for specific products) and moderate potential</i> for increasing the take-up of CPR simplifications, especially for SME (by means of improved legal clarity of the provisions and the enforcement mechanisms)
<i>Clarity of CPR derogations (art. 5)</i>	<ul style="list-style-type: none"> • <i>Negligible so far, uncertain potential</i>
<i>Use of PQD mechanisms</i>	<ul style="list-style-type: none"> • <i>Limited number of professionals/craftsmen moving cross-border, and limited potential</i> as barriers other than regulatory are considered as more relevant
<i>Cross-border insurance mechanisms</i>	<ul style="list-style-type: none"> • <i>High negative impact</i> in past years (in specific countries) • <i>Moderate/limited negative impact</i> (depending on specific countries and features of the cross-border operators) at the moment
<i>Inward impacts of the SD</i>	<ul style="list-style-type: none"> • <i>Perceived increase³⁶¹ of unfair competition</i> in certain MS and market segments, but mostly linked to legislation other than the SD
<i>Take-up of EPC recommendations</i>	<ul style="list-style-type: none"> • <i>Limited benefits so far, and moderate potential</i> for stimulating additional EE-renovations
<i>Take-up of 3% renovation rate for public building</i>	<ul style="list-style-type: none"> • <i>Limited benefits so far</i> as 8 out 10 MS covered by the analysis decided to opt out from this provisions
<i>Take-up of GPP provisions for construction products and services</i>	<ul style="list-style-type: none"> • <i>Too early to assess</i>
<i>Impacts of LPD on best performers</i>	<ul style="list-style-type: none"> • <i>Uncertain effects</i> of the LPD on MS whose payment practices are in line or better than the limits set in the act

Notes: the scale is as follows (i) negligible; (ii) limited; (iii) moderate; (iv) high.

Source: Authors' own elaboration

³⁶¹ No available data on cross-border flows of construction operators could confirm or contradict the qualitative information retrieved via primary data collection.

6.3 Summary of the Ex Post Evaluation

Exhibit 6.4 below shows the summary table of the ex post evaluation exercise. The assessment under each evaluation criterion is provided separately for the two policy areas over a three-ladder scale – High, Medium, and Low – together with a synthesis assessment (under the table).

Exhibit 6.4 Ex post Evaluation: Summary Table

Evaluation Criterion	Internal Market	Energy Efficiency
<i>Relevance</i>	Medium	High
<i>Coherence</i>	Medium	Medium
<i>Effectiveness</i>	Low	Medium
<i>Efficiency</i>	Medium	High
<i>EU Added Value</i>	Medium	Medium

Source: *Authors' own elaboration*

Relevance. The relevance of Internal Market legislation for the construction sector is considered as medium, with barriers other than regulatory hampering the integration of the EU construction market and reducing the potential benefits generated by the CPR, the PQD, and the SD. The relevance of the Energy Efficiency legislation can be rated as high, especially thanks to the EED and the EPBD pursuing objectives better meeting the challenges and needs of the EU construction sector.

Coherence. The coherence is assessed as medium for both the Internal Market and Energy Efficiency policy areas. With respect to the former, the SD and the PQD aim at removing existing barriers to the free movement of construction service providers and strengthening the mobility of professionals in the EU through different measures. These objectives are considered as complementary and coherent. However, a number of instances of inadequate implementation of the SD hampering the mobility of construction companies were identified. As for the CPR, some of its provisions remain in practice not applied because of their limited legal clarity, with respect to both the legal text itself and their enforcement. Furthermore, a potentially significant overlap exists between the CPR and EDD: though it is currently limited to only one product category, manufacturers risk bearing duplicated costs whenever the same product is covered by both a hEN and an implementing EDD regulation. With respect to the Energy Efficiency policy area, great synergies were observed among the aims pursued by the EED, the EPBD, and the RESD. Overlaps, however, exist among the EED, the EPBD and the RESD with regard to the relationship among the EPC, inspections and energy audits, and their related certification/qualification schemes and training programmes for professionals.

Effectiveness. Once the impacts of the economic and financial crisis are accounted for, assessing the effectiveness of the acts in the policy areas of Internal Market and Energy Efficiency on the competitiveness of the construction sector is far from easy. In addition to that, not all the acts in scope of the analysis necessarily target the construction sector. On the one hand, the measures under the Energy Efficiency policy area did benefit construction companies and other nexuses of the value chain, with national interventions and support programmes playing a major role. As for the Internal Market policy area, having only limited impacts, it is assessed as being little effective. Here, a distinction must be made between the CPR, largely achieving its aims; the PQD, working well, but resulting only in a limited number of professionals and craftsmen working abroad; and the SD, being almost ineffective for the construction sector. In terms of sustainability, the Energy Efficiency policy area contributes to the reduction of the energy consumption in buildings, while the Internal Market policy area did not have an important role in this respect.

Efficiency. With regard to efficiency, the only significant categories of costs identified in the Internal Market policy area were generated by the CPR, affecting product manufacturers and, depending on the pass-on rate, construction companies; differently, the costs generated for contractors and professionals under other acts are negligible. Once again, this points to the fact that national and sometimes local frameworks are far more important for construction operators. As costs, benefits in this policy area were also limited. The most important advantages are the new business opportunities created by the PQD and the financial cost savings generated by the LPD, both only accounting, however, for a fraction of the sectoral added value. As a result, the efficiency of this policy area is considered as medium. Differently, the Energy Efficiency policy area had a far greater impact, creating business opportunities in the related markets worth **about €26 bln per year, that is 7.8% of the sectoral added value. Professionals benefited from** the significant business opportunities accrued from the EPC. In light of the above, the Energy Efficiency policy area is considered as highly efficient.

EU Added Value. The added value of EU actions in the Internal Market policy area is rated as medium. By their very nature, the objectives of the CPR, the PQD, and the SD could only be achieved with EU measures. As for the LPD, it played an important role in promoting a pan-European culture for timely payments. Turning to the Energy Efficiency policy area, the EPBD and the EED contributed to creating an EE market for both new buildings and renovations, with added value delivered at all links of the construction value chain. National legislation, however, continued to play a very important, and sometimes predominant, part. Therefore, the EU added value of the Energy Efficiency legislation for the construction sector can be assessed as medium too.





Supporting study for the Fitness Check on the construction sector: EU internal market and energy efficiency legislation

Volume 2
Annexes

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Supporting study for the
Fitness Check on the
construction sector:
EU internal market and
energy efficiency legislation

Volume 2
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MAIN ABBREVIATIONS AND ACRONYMS

AVCP	Assessment and Verification of Constancy of Performance
BAU	Business-As-Usual
B2B	Business to Business
CA	Concerted Action
CCA	Compliance Cost Assessment
CCBA	Cumulative Cost and Benefits Assessment
CE	European Conformity
CEN	European Committee for Standardisation
CPD	Construction Product Directive
CPR	Construction Product Regulation
DOP	Declaration of Performance
EDD	Ecodesign Directive
eDOP	Electronic Declaration of Performance
EE	Energy Efficiency
EED	Energy Efficiency Directive
ELD	Energy Labelling Directive
EPBD	Energy Performance of Buildings Directive
EPC	Energy Performance Certificates
EQ	Evaluation Questions
ETA	European Technical Assessment
EU	European Union
FPC	Factory Production Control
FTE	Full Time Equivalent
GPP	Green Public Procurement
hEN	Harmonised Standard
IA	Impact Assessment
ITT	Initial Type Testing
LPD	Late Payments Directive
MEPR	Minimum Energy Performance Requirement
MS	Member States
NACE	Statistical classification of economic activities in the European Community
NEEAP	National Energy Efficiency Action Plan
NZEB	Nearly Zero Energy Building
OPC	Open Public Consultation
PA2B	Public Administration to Business
PCPC	Product Contact Points for Construction
PQD	Professional Qualification Directive
RES	Renewable Energy Sources
RESD	Renewable Energy Sources Directive
RPD	Regulated Profession Database
SBS	Structural Business Statistics
SCM	Standard Cost Model
SD	Services Directive
SME	Small and Medium-sized Enterprises
TFEU	Treaty on the Functioning of the European Union

Annex I

Selection of relevant EU legislation

1 INTRODUCTION

This Section deals with the selection of the EU legislation on Internal Market and Energy Efficiency affecting the construction sector, which constituted an essential precondition for all subsequent activities under the Study. The exercise involved a three-step process, including: (i) the building of an initial inventory of the EU legislation in the policy areas of Internal Market and **Energy Efficiency (the 'long list')**; (ii) **a first screening leading to the identification of a list of legal acts prima facie more relevant for the construction sector (the 'intermediate list')**; and (iii) the definition of a set of criteria for the identification of the most relevant legal acts, leading to **the selection of the legislation to be analysed (the 'short list')**. Overall, the legal screening exercise led to the selection of 9 acts and, when relevant, its predecessors, out of an initial inventory of more than 40 pieces of EU legislation. The three-step process is summarised in Exhibit 1.3 at the end of this Section.

The legal screening exercise was primarily based on the detailed review of the legal texts and related documentation, but also benefitted from comments and feedback from stakeholders and Commission services. The initial inventory and a tentative intermediate list were presented at the Kick-Off Meeting (KOM). The criteria for the selection of the most relevant acts were discussed during the First Mirror Group meeting. This was followed by the submission of a note with preliminary considerations on the short list, which was commented by the Client.¹ The results of the screening exercise were presented at the Second Mirror Group meeting when the final short list was endorsed by the stakeholders.²

Section 2 briefly reviews the early stages of the selection process. Section 3 elaborates on the criteria for the selection of the most relevant acts and on their application. Section 4 illustrates the pieces of EU legislation retained for further analysis.

2 EARLY STAGES OF THE SELECTION PROCESS

Long List. The inventory of EU legislation in the policy areas of Internal Market and Energy Efficiency and with a possible connection to the construction sector was developed at the tender stage and included in the Proposal. The long list included more than 40 pieces of EU legislation, identified based on the review of legal and policy documents. In line with the purpose of the Study, the list mostly consisted of binding acts (Regulations and Directives), although some Recommendations and Communications deemed to be potentially relevant for the construction sector were also included. Finally, only legal acts currently in force were included at that stage.

Intermediate List. The intermediate list was presented at the KOM. The list included 19 pieces of legislation prima facie regarded as potentially relevant for the Study, in particular because of their impact on the competitiveness and sustainability of the construction sector, as evidenced by references in EU policy documents and/or in documents produced by industry associations and other stakeholders. The intermediate list is provided in Exhibit 1.1 below.

Exhibit 1.1 Intermediate List

Policy Areas	Legal Acts
Internal Market	<ul style="list-style-type: none">• Regulation No 305/2011 laying down harmonised conditions for the marketing of construction products (Construction Products Regulation)• Regulation No 765/2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products (Products Regulation)

¹ See the Note on the Identification of Legal Acts, 25 June 2015.

² The full-fledged results of the legal screening exercise were presented in the Inception Report (Revised), Volume 2 – Annexes, 19 October 2015.

	<ul style="list-style-type: none"> • Council Directive 85/374/EEC on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products (Defective Product Liability Directive) • Directive 2006/42/EC on machinery (Machinery Directive) • Commission Recommendation 2003/887/EC on the implementation and use of Eurocodes for construction works and structural construction products (Recommendation of Eurocodes) • Directive 2005/36/EC on the recognition of professional qualifications (Professional Qualifications Directive) • Directive 2006/123/EC on services in the Internal Market (Services Directive) • Directive 96/71/EC concerning the posting of workers in the framework of the provision of services (Posting of Workers Directive) • Directive 2011/7/EU on combating late payment in commercial transactions (Late Payment Directive) • Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC Text with EEA relevance and Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC Text with EEA relevance (collectively referred to as the Public Procurement Directives) • Communication on Green Public Procurement COM (2008) 400 “Public procurement for a better environment” (Green Public Procurement Communication)
Energy Efficiency	<ul style="list-style-type: none"> • Directive 2009/125/EC establishing a framework for the setting of eco-design requirements for energy-using products (Ecodesign Directive) • Directive 2010/30/EU on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products (Energy Labelling Directive) • Commission Regulation (EC) No 245/2009 as regards the ecodesign requirements for fluorescent lamps without integrated ballast, for high intensity discharge lamps, and for ballasts and luminaires able to operate such lamps (implementing the Ecodesign Directive) (Lighting Regulation) • Directive 2009/142/EC of the European Parliament and the Council relating to appliances burning gaseous fuels (Gas Appliances Directive) • Council Directive 92/42/EEC on efficiency requirements for new hot-water boilers fired with liquid or gaseous fuels (Boilers Directive) • Directive 2010/31/EU of the European Parliament and of the Council on the energy performance of buildings (Energy Performance of Buildings Directive) • Directive 2012/27/EU on energy efficiency (Energy Efficiency Directive)

3 CRITERIA FOR THE SELECTION OF THE SHORT LIST

The final step in the selection process involved a detailed review of the legal acts included in the intermediate list and their assessment against a set of selection criteria. These included four **‘eligibility’ criteria and three ‘substantive’ criteria.**

Eligibility Criteria. The four eligibility criteria refer to the nature of the EU legislation and its alignment with the scope and purpose of the Study. In particular, in order to be retained for further analysis:

- The legal act should be *binding*, in order to be able to establish a causal linkage between EU legislation and the costs and benefits observed;
- The legal act should have been *in force during the 2004 – 2014 period* covered by the Study. Where applicable and relevant, the legal texts which preceded or amended the selected legal act during this period would also be included, so as to ensure the coverage of the relevant period;

- The legal act should not have been subject to *major, recent modifications*, as this would negatively influence the ability to appropriately assess its effects;
- The bulk of the impacts generated by the act should pertain to the *policy areas covered by the Study*, and not to areas covered by the parallel study, i.e. health and safety or environmental policies.

The application of the eligibility criteria resulted in the *elimination of six acts* included in the 'intermediate list'. In particular: (i) the Recommendation on Eurocodes and the Communication on Green Public Procurement were discarded based on the first criterion; (ii) the Posting of Workers Directive and the two Public Procurement Directives were discarded based on the third criterion; and (iii) the Machinery Directive was discarded based on the fourth criterion.

Substantive Criteria. The three substantive criteria refer to the nature of the effects (costs or benefits) generated by EU legislation. In particular, in order to be retained for further analysis:

- The legal act should produce *direct effects* on the construction sector and/or on the related sectors, i.e. construction products or professional services - **which then result in 'indirect effects' for the construction sector - ('proximity' criterion)**. In practice, this criterion refers to the length of the causal chain and involves the exclusion of legislation that is excessively distant from the focus of the analysis. This can be seen as an operationalization of the '**proportionate analysis**' principle commonly used by the Commission in evaluation and impact assessment work;
- The legal act should generate *specific effects* on the construction sector and/or the related sectors, in particular **in relation to competitiveness or sustainability ('specific relevance' criterion)**. This criterion is obviously met by the legislation directly targeting the construction and related sectors but it may also be satisfied by horizontal legislation that addresses issues of particular relevance for the sectors concerned (e.g. the issue of payment delays or the cross-border provision of services). In addition, this criterion takes into account the nature of the entities affected by legislation. Since the focus of the Study is on the cost and benefits for operators, acts impacting solely on other entities (e.g. public administrations) are not retained for further analysis;
- The *expected likelihood of occurrence and magnitude of the effects* generated by a certain act **must be significant ('significance' criterion)**. This criterion results in the elimination of pieces of legislation exerting only a negligible influence on the construction sector. Obviously, the criterion requires an ex ante tentative assessment (as implied by the word '**expected**'), as the precise scale of the effects will only be known at the end of the Study. Therefore, the emergence of new elements during implementation may lead to a revision of the classification of legal acts under this criterion.

The application of the above substantive criteria led to the *exclusion of five legal acts* included in the intermediate list. In particular: (i) the Gas Appliances Directive was not considered to **generate direct impacts on the broad construction sector ('proximity criterion')**; (ii) the Products Regulation was excluded because the bulk of effects do not concern operators in the construction and related sectors ('**specific relevance criterion**'); (iii) the Defective Products Liability Directive was found both not specifically relevant to the construction sector and unlikely to generate **significant impacts ('specific relevance' and 'significance' criteria)**; and (iv) the Boiler Directive and the Lighting Regulation were considered not to generate expected significant effects on the **sectors of focus ('significance criterion')**.

Additional Analysis. During the Second Mirror Group and Steering Committee meetings it was proposed to expand the analysis to one additional piece of EU legislation, namely the Renewable Energy Sources Directive.³ The proposed addition was motivated by the fact that some provisions were considered by some stakeholders to be a source of burdens for enterprises active in the construction sector. The review of the directive on the basis of the eligibility and substantive

³ Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC.

criteria confirmed its relevance for the Study.

4 SHORT LIST

The short list resulting from the legal screening includes *nine pieces of legislation* currently in force as well as their predecessors in effect during the relevant period. These legal acts, **hereinafter cumulatively referred to as the 'Retained Acts', include:**

- The Construction Products Regulation (CPR) and its predecessor Construction Products Directive (CPD);⁴
- The Professional Qualifications Directive (PQD), including the 2011 amendments;
- The Services Directive (SD);
- The Late Payments Directive (LPD) and its predecessor Directive 2000/35/EC;
- The Energy Efficiency Directive (EED), plus its predecessor Directive 2006/32/EC;
- The Energy Performance of Buildings Directive (EPBD) and its predecessor Directive 2002/91/EC;
- The Ecodesign Directive (EDD), plus its predecessor Directive 2005/32/EC;
- The Energy Labelling Directive (ELD) and its predecessor Directive 92/75/EEC; and
- The Renewable Energy Sources Directive (RESD).

The key features of these legal acts and the rationale for their further analysis are summarised in Exhibit 1.2 below.

Exhibit 1.2 Retained Acts - Rationale for Inclusion

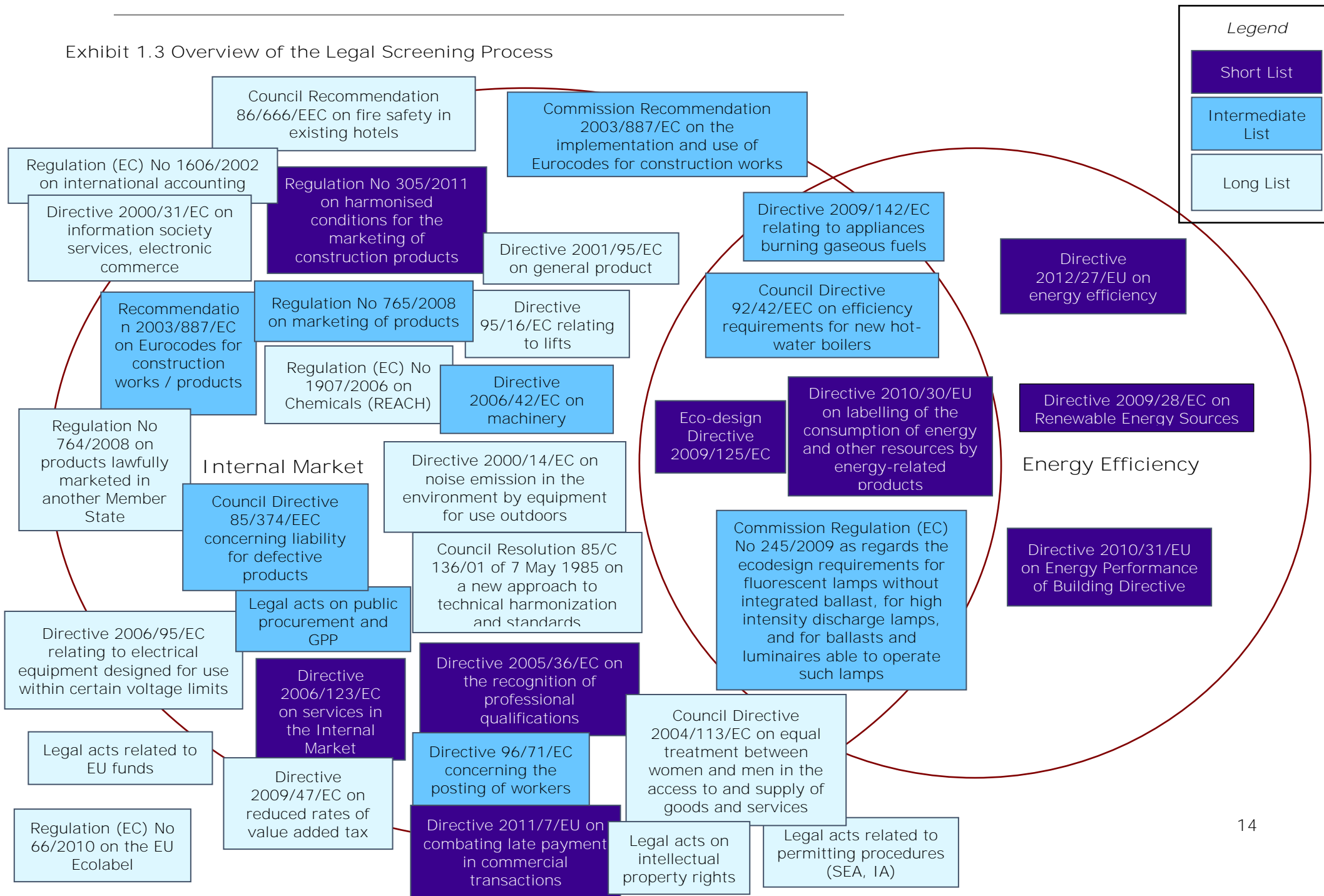
Legal Acts	Rationale for Inclusion
Internal Market	
Construction Product Regulation	The CPR lays down the conditions for the placing or making available on the market of construction products, by establishing harmonised rules on how to express the performance of construction products in relation to their essential characteristics and on the affixing of the CE marking. Adopted in 2011, the CPR innovates the framework established by its predecessor, the CPD, which introduced a system of harmonised technical specifications, a system of attestation of conformity, and the CE marking of products. The CPR/CPD combination is highly relevant for the Study because of its direct influence on the construction products industry, affecting the operations of a large number of operators (manufacturers and distributors).
Professional Qualification Directive	The PQD aims at facilitating the mobility of members of regulated professions across the EU. This objective is pursued primarily through the establishment of mechanisms for the recognition of qualifications based on training or experience (automatic recognition, mutual recognition). This is accompanied by specific measures intended to ease the provision of professional services on a temporary basis and the setting of certain minimum requirements and obligations for professionals operating across borders. The PQD has a very broad scope, being applicable to a wide range of regulated professions. However, professionals (architects, engineers, energy auditors, etc.) and craftsmen (plumbers, electricians, etc.) providing services to the construction sector account for a large share of the requests regarding permanent establishment and, especially, temporary provision of services.

⁴ Council Directive 89/106/EEC of 21 December 1988 on the approximation of laws, regulations and administrative provisions of the Member States relating to construction products.

<p>Services Directive</p>	<p>The SD aims at realising the full potential of the internal market, facilitating the establishment and cross-border operations of service providers. To this effect, the SD requires MS to simplify the procedures for the permanent or temporary provision of service activities and to eliminate authorisation schemes that are discriminatory, disproportionate or not justified by overriding public interest considerations. This is accompanied by measures aimed at strengthening the rights of service users and at promoting the high quality of services. The SD adopts a very broad definition of services, which includes construction and related professional services as well as real estate services. The relevance of the SD for the Study stems from the traditionally high level of regulation affecting the construction sector and related professional services at the national level, with an ensuing high potential for simplification. Also of importance are the provisions concerning professional liability insurance, an important theme for builders and construction professionals.</p>
<p>Late Payments Directive</p>	<p>The LPD aims at combating the phenomenon of late payments in commercial transactions, involving private parties and/or public entities. This is done by setting time limits for the payment of invoices and by imposing penalties for late payments. Despite its general nature, the LPD is particularly relevant for the construction sector, notoriously afflicted by the major delays in payment. The relevance of the LPD for the Study is further reinforced by the presence of an important 'SME dimension', as SME (i) traditionally face highly unfavourable payment terms, and (ii) constitute the overwhelming majority of firms in the construction sector.</p>
<p>Energy Efficiency</p>	
<p>Energy Efficiency Directive</p>	<p>The EED introduces a series of measures intended to facilitate the achievement of the EU's 2020 energy savings target. These include provisions concerning: (i) the renovation of the stock of buildings, including an annual target for the renovation of central government buildings; (ii) the reduction in the volume of energy sales by energy distributors; (iii) the strengthening of energy audits (mandatory for large enterprises); (iv) energy efficient public purchasing and (v) the promotion of other energy efficiency mechanisms (certification schemes, performance related contractual arrangements). While these obligations fall on public authorities or other entities outside the construction sector, their fulfilment may have potentially far reaching implications for construction companies and service providers, contributing to an increase in the demand for both building renovation and specialised energy efficiency services. However, this is mitigated in some circumstances by the possibility for MS of adopting alternative strategies achieving equivalent levels of energy savings.</p>
<p>Energy Performance of Buildings Directive</p>	<p>The EPBD supports the achievement of the energy efficiency targets by introducing specific measures for buildings (both existing and new ones) and affecting construction, renovation, and ancillary services. In particular, the EPBD provides for: (i) a common methodological framework for measuring the energy performance of buildings; (ii) the obligation for MS to set minimum requirements for the energy performance of new buildings, buildings undergoing major renovation, and technical building elements and systems; (iii) mandatory energy performance certification and inspections. The EPBD is a framework directive, leaving implementation measures to Member States. The Directive is obviously highly relevant for the Study, as its provisions impact on various operators along the construction value chain, resulting in both costs and benefits.</p>

<p>Ecodesign Directive</p>	<p>The EDD establishes a framework for the setting of mandatory requirements for both energy-using and energy-related products (i.e. products that do not use energy but have an impact on energy consumption). The EDD is a framework directive, and the ecodesign requirements are set through Commission regulations. Several construction elements and materials are classified as energy-using or energy-related products and therefore the EDD may potentially affect a number of construction materials manufacturers. However, no secondary regulations specifically targeting construction materials have been adopted so far, although work in this direction has been initiated (e.g. for windows and insulation materials). Equally important, the EDD partly addresses aspects also covered by other pieces of legislation (ELD, EPBD and CPR), with potential implications for the coherence of EU legislation.</p>
<p>Energy Labelling Directive</p>	<p>The ELD complements the EDD by setting a framework for the labelling and the provision of information regarding energy consumption. Initially targeted at household appliances, the ELD is now applicable to a wide range of energy-related products. As in the case of the EDD, the directive has a potential impact on the producers of several construction products, but so far no secondary legislation has been adopted. Similar considerations apply to the interaction with other EU legislation on construction products and energy efficiency, whose coherence requires to be assessed.</p>
<p>Renewable Energy Sources Directive</p>	<p>The RESD does not specifically address the construction sector. Its objective is to establish a common framework for the promotion of energy from renewable sources, including setting mandatory national targets for the overall share of energy from renewable sources. However, two articles of the RESD are relevant for construction operators: (i) art. 13 laying down the obligation for Member States to introduce in their building regulations a requirement for the use of minimum levels of renewable energy in new buildings and existing buildings subject to major renovations; and (ii) art. 14 mandating Member States to develop and mutually recognise certification or equivalent qualification schemes for installers of small-scale renewable energy systems. Art. 13 come into force as of 31.12.2014, hence it cannot generate costs and benefits on construction operators in the period covered by the study. Art. 14 is in force since the end of 2012 and its effects on construction operators, and in particular the construction crafts and SME, are covered by the Study</p>

Exhibit 1.3 Overview of the Legal Screening Process



Annex II

Sectoral analysis and market trends

1 THE CONSTRUCTION SECTOR

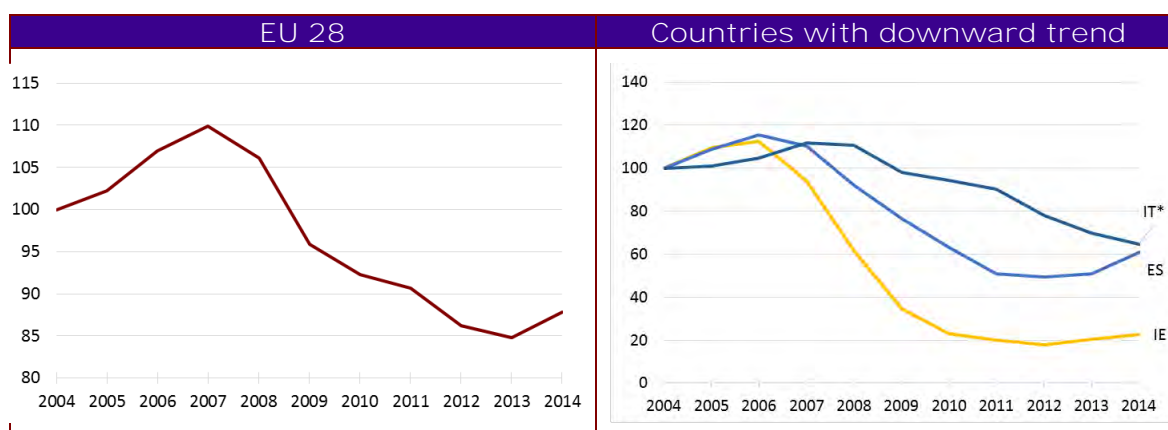
Construction of buildings is a major economic activity in the European Union (EU), with a total value of production in 2012 corresponding to over 9% of GDP, and a value added contributing for 3.1% to GDP formation in the EU28 countries. In 2014, there were over 3 million firms active **in the construction of buildings, with total turnover of about € 1,300 billion and an employment** of almost 11 million persons. The production structure is dominated by micro and small enterprises, with an estimate 94% of firms with fewer than 9 employees.⁵

In the ten countries covered in detail by this Study, in 2014 the total value of output in the building sector - including both new construction and renovation, and both the residential and non-residential market - **was about €877 billion. Residential buildings are the main sub-sector, with a total output of about € 525 billion. Residential building renovations were the main market segment, worth € 328 billion. New buildings construction stood at € 198 billion, with over 1.1 million houses completed, of which 541,000 1-2 family houses and 591,000 apartment buildings. Output in the non-residential sub-sector⁶ was at € 350 billion, virtually equally distributed** between new buildings and renovations.⁷

1.1 The effects of the economic crisis

The 2004 – 2014 period was overall *very negative for the construction industry* in terms of output of production, with a decline of nearly 15% of EU28-wide output over the ten years. After a peak in 2007, the volume of constructions declined steadily, showing some mild countertrend only in 2014. A closer look to the ten countries under review reveals a composite picture, with three groups of countries. A first group, including Italy, Spain, and Ireland, shows a marked negative trend, with a reduction in the volume of buildings constructed between 2004 and 2014 ranging between 40% for Italy and Spain, and nearly 80% in the case of Ireland. The second group includes five countries (Belgium, Denmark, France, Germany, and the UK) that had an erratic trend in the volume of buildings, with variations that however did not exceed $\pm 15\%$. Finally, Romania and Poland had a net increase over the period under considerations, achieving in 2014 a volume of constructions corresponding to some 170-180% compared to 2004.

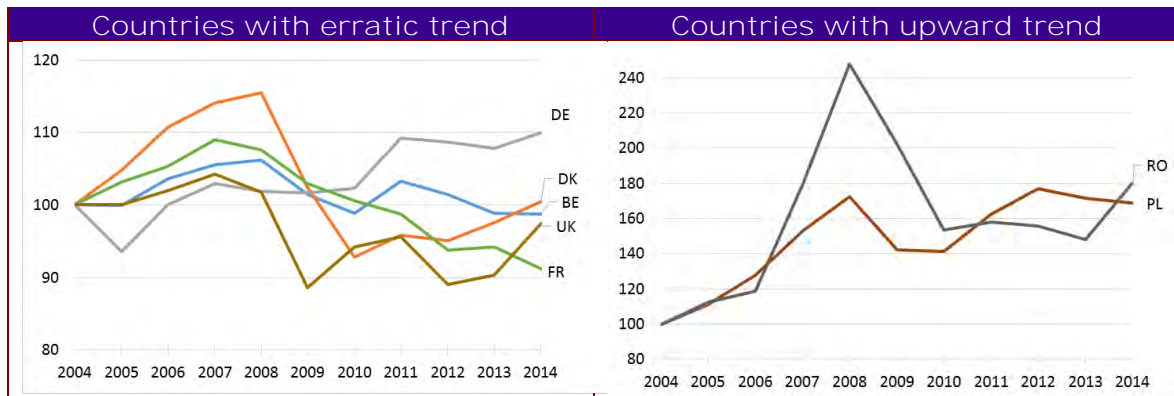
Exhibit 1.1 Volume of construction (index: 2004 = 100)



⁵ Data are from Eurostat, Structural Business Statistics. Value of production and value added refer to NACE Rev 2. Divisions 41 'Construction of buildings' and 43 'Specialised construction activities'; Division 42 'Civil engineering' is excluded as it is not covered by the Assignment.

⁶ Non-residential buildings encompass a variety of destinations of use, including education and health structures; commercial buildings and offices; industrial buildings; as well as storage, agricultural, and miscellaneous buildings.

⁷ Data from CRESME elaboration on Euroconstruct; DIW, and Romanian National Institute of Statistics.

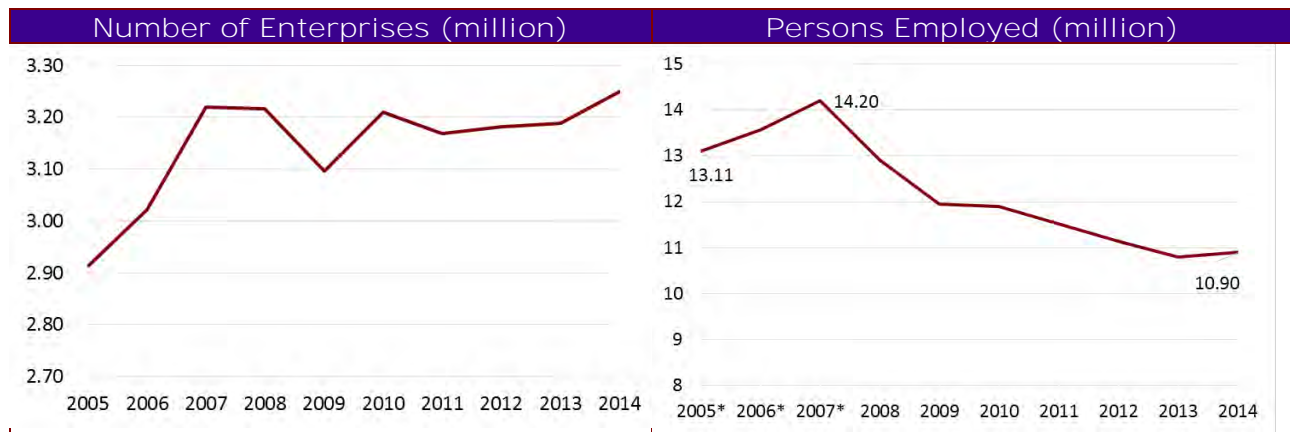


* Data for Italy refer to the whole Construction sector. Source: Eurostat

1.2 A Severe erosion of the production base in the construction sector

The negative performance was obviously reflected in the production base, especially with regards to the employment. While the number of companies declined between 2007 and 2009 (-4%) and then recovered approaching the pre-crisis level, the number of persons employed shrank by nearly one quarter between the 2007 peak and 2013 (the latest data available). In 2013, construction activities (excluding civil engineers) employed over 2 million people less than 2005, and 3.4 million people less than 2007.

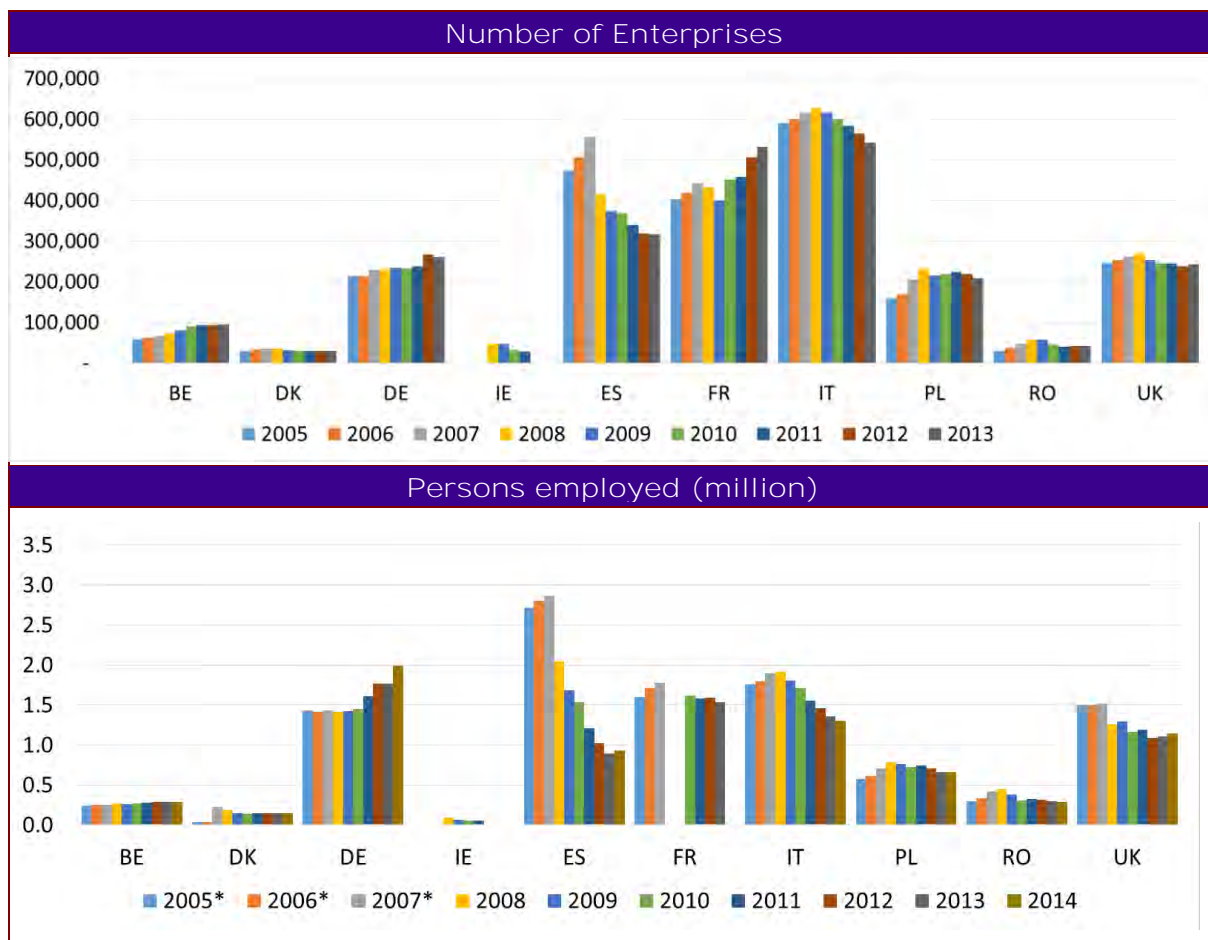
Exhibit 1.2 Number of enterprises and persons employed (EU)



Source: Eurostat

The situation varies considerably among the ten countries analysed, essentially reflecting the patterns in the volume of constructions (see above). The sharpest decline is experienced in Spain, Ireland, and Italy, while the only countries in which the number of enterprises and of persons employed is growing are Belgium and Germany.

Exhibit 1.3 Number of enterprises and persons employed (selected MS)

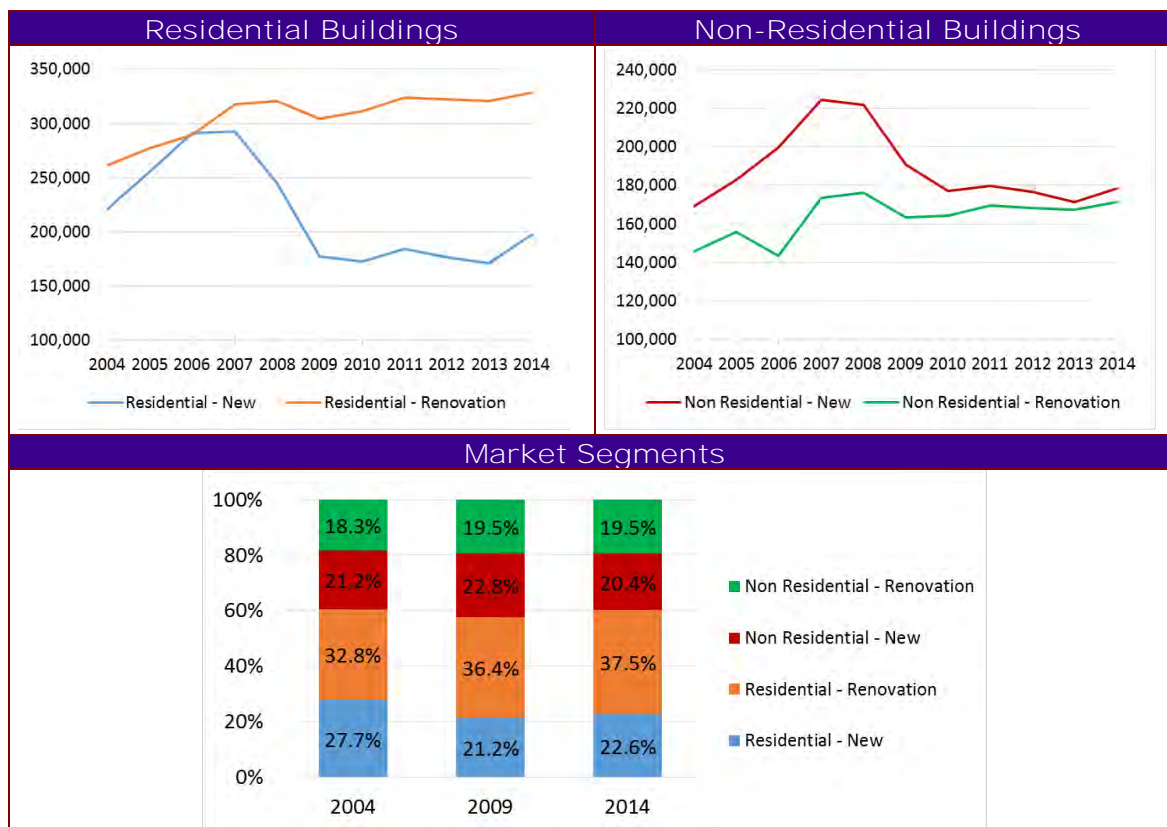


Source: Eurostat

1.3 Significant changes in the product mix

In the market for buildings across the 10 MS covered by the analysis, the share of the residential and non-residential segments, in terms of value, has not significantly changed in the last decade. As shown in Exhibit 1.4 below, the relative shares have remained stable, at about 60% for residential buildings, and 40% for non-residential. Both segments have peaked in 2007 followed by a sharp decline, and a mild recover only in 2011 and 2014. To the contrary, over the 2004-2014 period, the renovation segment has increased its importance, from 51% of the building market in 2004, to 56% in 2009, and 57% in 2014. The market for residential renovation is the only one that has already overcome its pre-crisis level, and its share over the building market increased from 33% to 37.5%. As for non-residential renovation, it has come close to the pre-crisis peak level in 2014. In any case, neither of the two segments showed the marked decline after 2007 experienced by the new construction segment.

Exhibit 1.4 **Market trends in the 10 Member States (€ mln)**

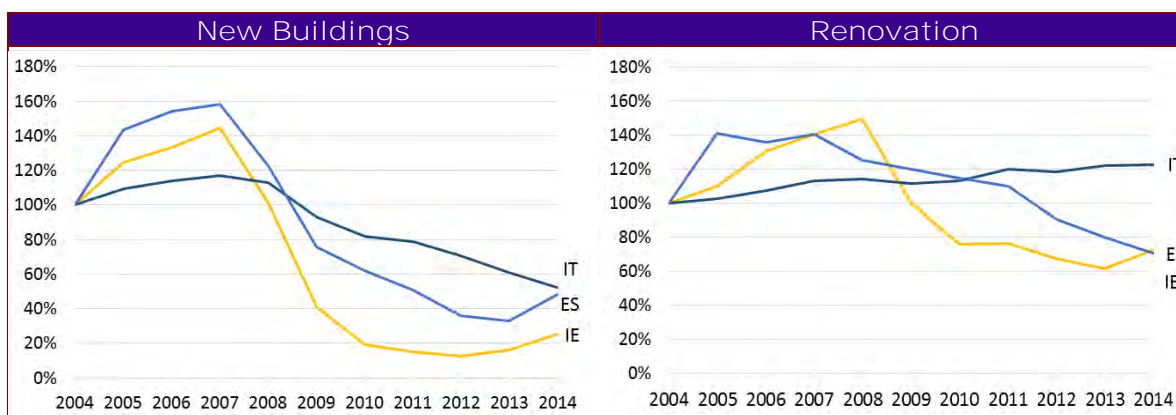


Note: no data on renovation for Romania;

Source: Elaborations CRESME on Euroconstruct data; DIW; Romanian National Institute of Statistics

Countries with downward trends in construction output (namely Italy, Spain, and Ireland) show a variation in market shares that is fairly similar to the whole group, with a relative growth of renovation over new construction. In fact, the market for new buildings has been strongly declining from 2007 onwards in the three countries, while the market for renovation has remained somehow more stable. In the case of Italy in particular, the value of renovation market in 2014 overcame than its 2007 value, also thanks to public subsidies. Spain and Ireland experienced a decline also for renovation activities, although of a smaller magnitude compared to the new buildings segment: in both countries, the current market value is about half of its pre-crisis peak.

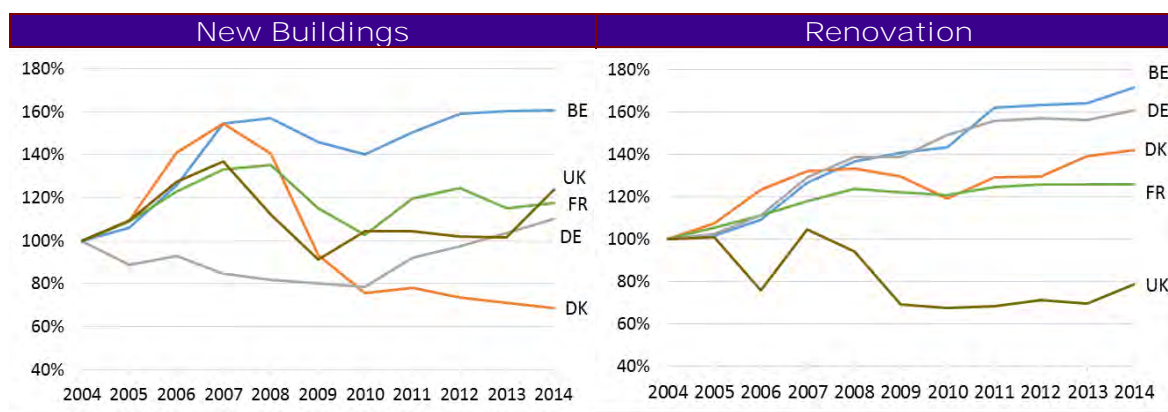
Exhibit 1.5 **Market segments in countries with downward trend (€ mln)**



Source: Elaborations CRESME on Euroconstruct data

Countries with erratic trends (namely Denmark, Germany, UK, and France) are not a **homogeneous group when it comes to renovation segment's contribution to the construction market**, as shown in Exhibit 1.6 below. In Denmark and Germany, the new construction segment has lost shares, while renovation activities grew from 60% in 2004 to 69% in 2014 in Germany and from 57% to 73% in Denmark. In France and Belgium, both segments have followed parallel trends, and the relative share of renovation is stable (around 48-49% for Belgium and around 53-54% in France). Though, the French market has increased its value by about 20% over the 2004-14 period, the Belgian market has been significantly healthier, with a +65% growth over the decade.⁸ The UK, to the contrary, has seen a reduction of the share of renovation activities, which were worth about half of the market in 2004, and about 39% in 2014. Of all countries for which data are available, the UK is the only one signalling a decline in the renovation market.

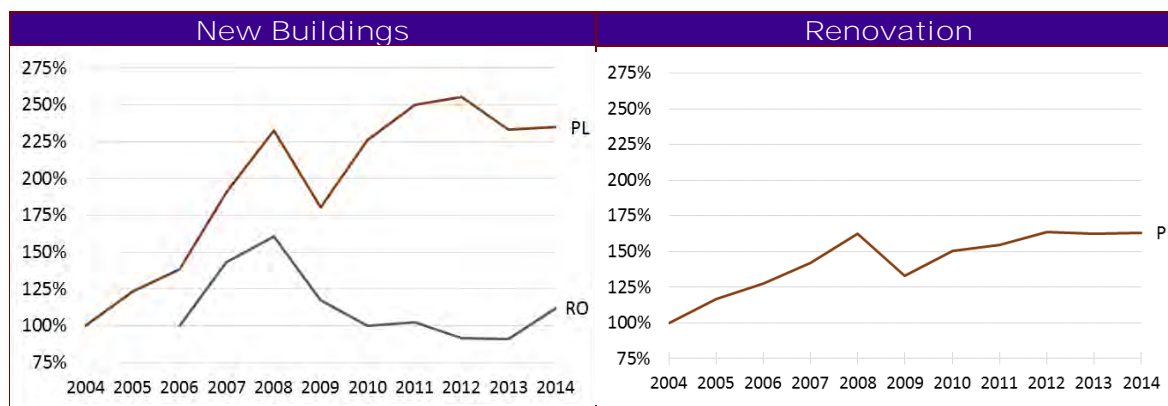
Exhibit 1.6 **Market segments in countries with erratic trend (€ mln)**



Source: Elaborations CRESME on Euroconstruct data; DIW

More limited information is available concerning Poland and Romania, the two countries in which the construction output has grown considerably over the 2004-2014. In terms of value, CRESME elaborations on Euroconstruct data show indeed an increase in Poland for both new buildings and renovation activities, reaching in 2014 higher levels than their pre-crisis peak. However, the market for new buildings has grown faster than the market for renovation, whose relative share has dropped from 36% to 28%. As for Romania, no data is available for the renovation market. The market for new construction has not yet recovered its 2008 peak.

Exhibit 1.7 **Market segments in countries with upward trend (€ mln)**



Note: no data on renovation for Romania;

Source: Elaborations CRESME on Euroconstruct data; Romanian National Institute of Statistics

⁸ Interestingly, construction output increased only by less than 15% (cf. Exhibit 1.1 above), signaling an increase in the price of construction outputs and renovation activities.

2 THE CONSTRUCTION PRODUCTS INDUSTRY

The construction product industry generated about €280 bln in terms of product value, and €90 of added value in 2013. The industry production value corresponds to 2.1% of EU GDP, and the added value contributes to 0.7% of EU GDP. In the same year, about 245,000 firms populated the sector, employing more than 2.2 million of persons.⁹ In this section, an overview of the main industry characteristics is provided.

2.1 Industry definition

There is no accepted definition of 'construction product industry'. Indeed, it includes several sectors which only or largely supply construction products (e.g. bricks and tiles, concrete products, doors and windows), and also sectors where construction products are manufactured, but not to an exclusive or prevailing extent (e.g. steel bars, flat glass). For this reason, the definition of the construction industry needs to be designed based on several NACE classes, usually at a very granular level of details, with consequent data availability issues.¹⁰

For the purpose of this overview, we have built upon RPA's definition used in the recent study on CPR implementation,¹¹ with several modifications. The sectors covered include:

1. 'Manufacture of structural metal products' (NACE rev2 25.1), which encompasses the sub-classes (i) 'manufacture of metal structures and parts of structures'; and (ii) 'manufacture of doors and windows of metal';
2. 'Manufacture of other builders' carpentry and joinery' (NACE rev2 16.23);
3. 'Manufacture of articles of concrete, cement and plaster' (NACE rev2 23.6),¹² which encompasses the sub-classes (i) 'manufacture of concrete products for construction purposes'; (ii) 'manufacture of plaster products for construction purposes'; (iii) 'manufacture of ready-mixed concrete'; (iv) 'manufacture of mortars'; and (v) 'manufacture of fibre cement';
4. 'Manufacture of builders' ware of plastic' (NACE rev2 22.23);
5. 'Manufacture of cement, lime and plaster' (NACE rev2 23.5), which encompasses (i) 'manufacture of cement'; and (ii) 'manufacture of lime and plaster';
6. 'Manufacture of clay building materials' (NACE rev2 23.3), which encompasses (i) 'manufacture of ceramic tiles and flags'; and (ii) 'manufacture of bricks, tiles and construction products, in baked clay);
7. 'Manufacture of ceramic sanitary fixtures' (NACE rev2 23.42).¹³

While this definition is not comprehensive of the whole construction product industry, it covers different materials (metal, wood, ceramics, plastic, cement), representing the main inputs to the construction sector.¹⁴ It also covers different product stages, such as raw materials, semi-finished and finished construction products.

⁹ Based on Eurostat SBS.

¹⁰ In particular, due to NACE revision from v1.1 to v2, consistent data for number of enterprises and employment are only available for the 2008-2013 period.

¹¹ RPA (2015), Analysis of implementation of the Construction Products Regulation, Final Report prepared for the European Commission, DG Internal Market, Industry, Entrepreneurship, and SME.

¹² RPA definition only includes sub-classes 'manufacture of concrete products for construction purposes' and 'manufacture of plaster products for construction purposes'.

¹³ As a comparison, Ecorys (2011) includes the following sectors within the construction product industry (classes are reported with their NACE rev 1.1 denomination): (i) Manufacture of builders' carpentry and joinery; (ii) Manufacture of bricks, tiles and construction products, in baked clay; (iii) Manufacture of cement, lime and plaster; (iv) Manufacture of articles of concrete, plaster or cement; (v) Cutting, shaping and finishing of ornamental and building stone; and (vi) Manufacture of structural metal products. The definition, though narrower, is largely overlapping with the one used in the current study. Cf. Ecorys (2011) Sustainable Competitiveness of the Construction Sector, Final Report for DG ENTR.

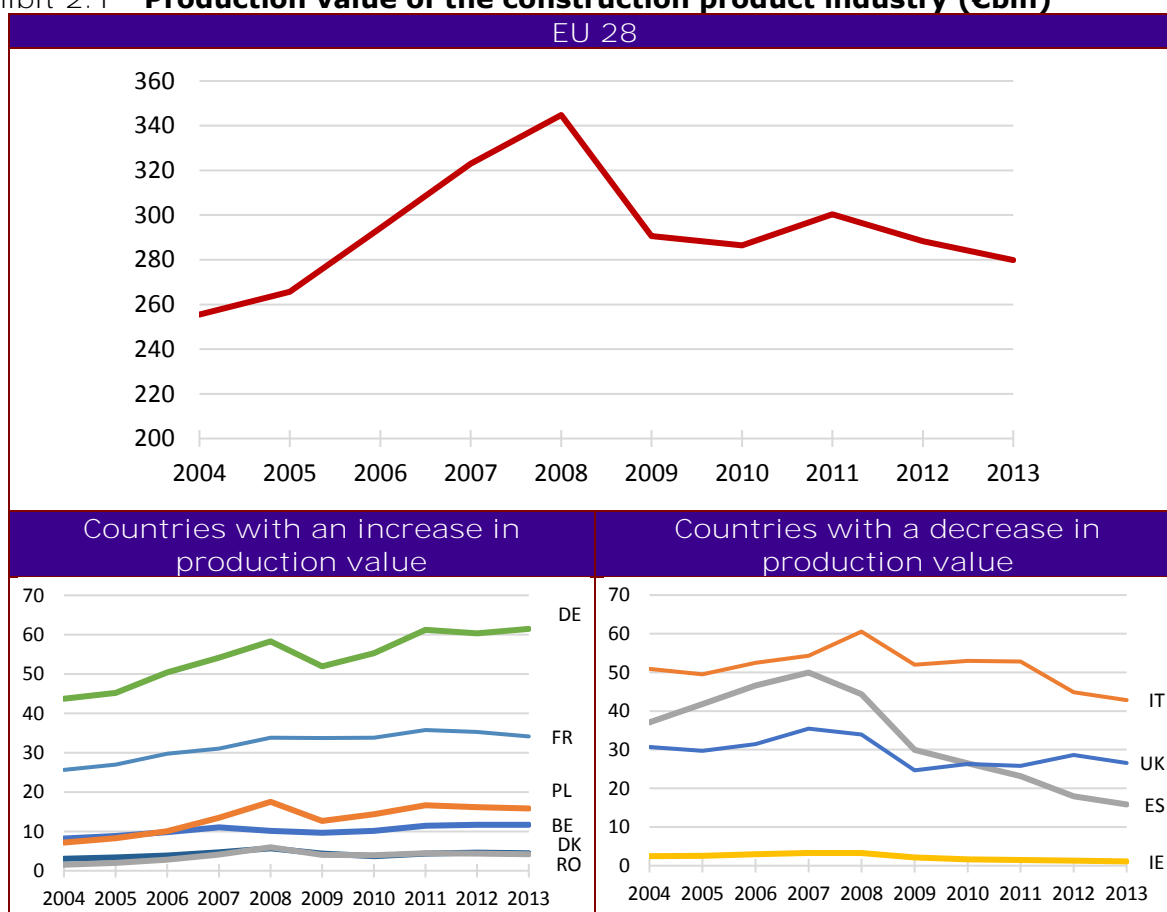
¹⁴ *Ibid.* at p. 14 and ff.

2.2 Sectoral output and the effect of the economic crisis

Unsurprisingly, the construction product sector is tracking the overall trend of the construction industry; hence, the 2004-2013 decade came close to a 'lost decade' for the sector.¹⁵ While the industry's production value in the EU did increase between 2004 (€255 bln) and 2013 (€ 279 bln), the current output is significantly lower than the pre-crisis peak, in 2008. As it emerges clearly from Exhibit 2.1 below, the period is split between a steep increase between 2004 and 2008 (+7.8% per year on average); and a steep decrease followed by a stagnation between 2004 and 2013 (-15.7% between 2008 and 2009, and then -1.2% per year on average from 2009 to 2013).

Within this overall trend, there are significant difference among the 10 MS covered more in detail by this study. In six of them (Belgium, Germany, Denmark, France, Poland, and Romania), the production value of the construction product industry has increased between 2004 and 2013. In particular, over this decade, it has almost trebled in Romania, more than doubled in Poland, and increased by 30 to 50% in the other four countries. In Spain, Ireland, Italy and the UK, the production value has declined; more specifically, in Ireland and Spain the production value in 2013 is less than half than in 2004, while in Italy and the UK the decline amounts to about -15%.

Exhibit 2.1 **Production value of the construction product industry (€bln)**



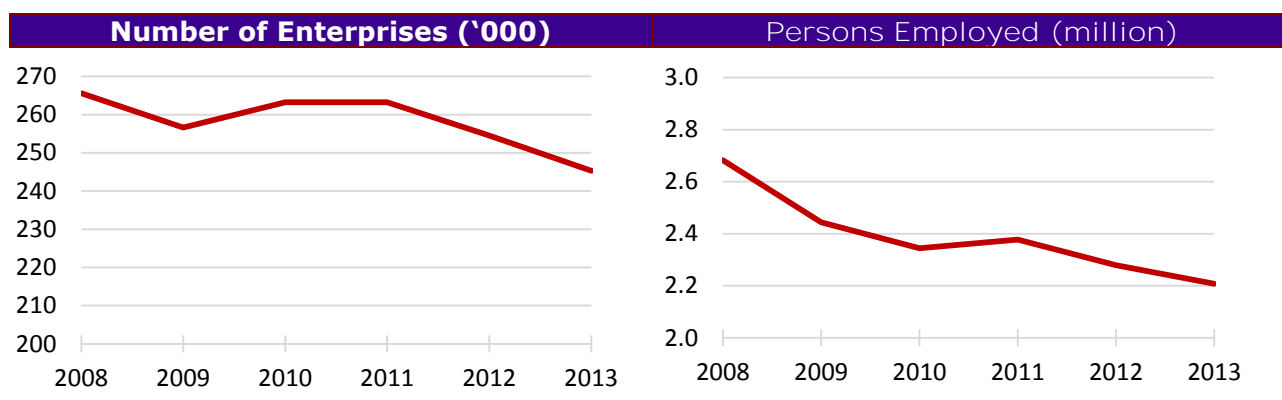
Source: Eurostat

¹⁵ Cf. Section 1.1 above.

2.3 The loss of suppliers

Due to revision of the NACE classes,¹⁶ consistent data on the number of companies and persons employed in the construction product industry are available only from 2008 to 2013. As for the production value, the industry experienced a decline of both the number of economic operators and workers over these six years. Interestingly, the decline has been slower and less steep, but did not either stop or significantly slow down in the most recent years. The decline of the number of persons employed between 2008 and 2013 (-18%) is very close to the decline in production value (-19%), signalling a constant labour productivity in the sector. To the contrary, the number of enterprises has been more resilient (-8% over the same period), thus signalling a reduction in average firm output.

Exhibit 2.2 – Number of enterprises and persons employed (EU)



Source: Eurostat

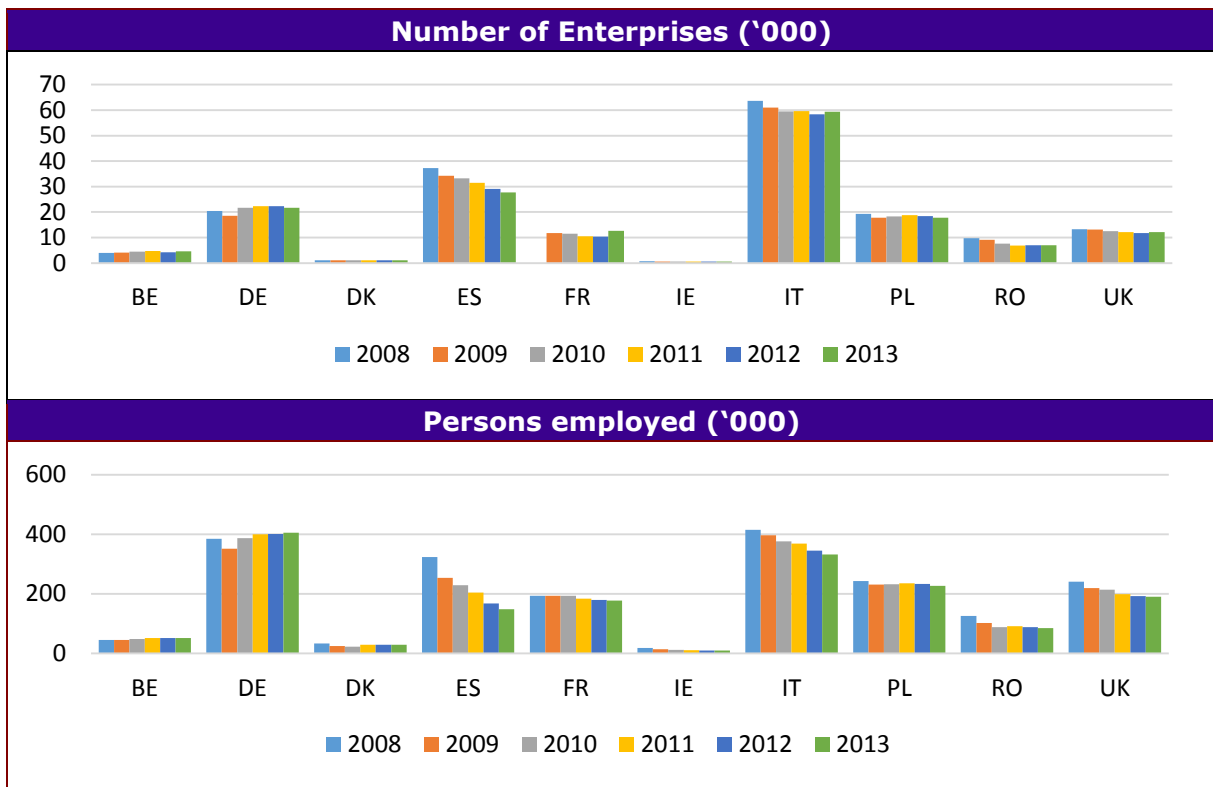
The situation varies considerably among the ten MS analysed, from both a static and dynamic point of view. On a static point of view, firm size, in terms of production value, show cross-country differences. **Average production value per firm is very high in Denmark (more than € 4 mln).** In Belgium, Germany, France, Ireland and the UK, average production value in 2013 is **between €2 and €3 mln, while in Spain, Italy, Poland and Romania it is less than €1mln.** For this reason, Spain and Italy are the MS with the largest number of enterprises in the sector, followed by Germany and Poland. As for the number of persons employed per firm, the average in the 10 selected MS is of 10 employees per company. Again, this average hides large variations, going from 27 and 19 employees respectively in Danish and German companies, to 5 in Spain and Italy.

From a dynamic point of view, the number of enterprises has declined in most of the selected MS between 2008 and 2013. The only MS with a positive sign are Belgium (+17%), Germany (+6%), and France (+7%).¹⁷ As for the number of persons employed, positive variations between 2008 and 2013 are registered only in Belgium (+15%) and Germany (+5%).

¹⁶ Eurostat data switched from NACE Rev 1.1 to NACE Rev 2 in 2008. Usually, it is possible to reconcile data series; unfortunately, as the definition of construction product industry is scattered across small classes, the reconciliation was not possible in this case.

¹⁷ 2008 data for France are not available; variation is thus calculated over the 2009-2013 period.

Exhibit 2.3 – Number of enterprises and persons employed (selected MS)



Source: Eurostat

Annex III

Economic analysis

1 INTRODUCTION

This Part of the Report is devoted to the illustration of the results of the fact-finding work aimed at assessing the effects of EU legislation identified at the inception stage. The focus is on the effects linked to seven pieces of legislation, namely the CPR and its predecessor, the POD, the SD, the EPBD, the EED, the RESD, and the LPD. The regulatory effects are shown in Exhibit 1.1 below.

In line with the overall approach of the Study, the focus is on the impact of EU legislation on construction firms. The analysis of these effects on enterprises is intended to provide elements useful for the overall evaluation of the EU legislation, i.e. the efficiency, coherence – already included in Part B of this Report, effectiveness, relevance and EU added value

For all the effects analysed, an effort was made to provide a quantification of the costs and/or benefits potentially associated with EU legislation. The quantification exercise relied on the methodology for estimating costs and benefits already presented in the Inception Report.

This Part is structured as follows:

- Section 1 sets the stage, by providing a succinct illustration of the main developments in the EU construction value chain over the period covered by the Study;
- Section 2 reviews the effects of the CPR and of the passage from the CPD to the CPR, with reference to a wide range of provisions potentially generating costs or cost savings;
- Section 3 reviews the effects linked to the POD, dealing with the themes of administrative costs, cost savings and business opportunities generate by EU legislation;
- Section 4 analyses the effects of the SD, and in particular the benefits from simplification, the new business opportunities for cross-border operators, and the inward effects from inflows of EU construction companies;
- Section 5 discusses the market development effects of the adoption of stricter energy efficiency standards in buildings, in line with what envisaged by the EPBD;
- Section 6 reviews other effects generated by the EPBD linked with the issuance of Energy Performance Certificates;
- Section 7 assesses a set of regulatory effects in the Energy Efficiency policy areas, with respect namely to the EED, EPBD, and RESD;
- Section 8 analyses the effects associated with the LPD, with particular reference of the cost savings associated with the shortening of payment delays.

Exhibit 1.1 Effects Identified and Effects Covered by Fact Finding Work

Legal Acts	Nature of the Costs and Benefits Identified (main related provisions) ¹⁸
Internal Market	
Construction Product Regulation	<ul style="list-style-type: none"> • Administrative costs/cost savings linked to the obligation of providing information to customers (drafting, supplying and storing of DOP and related technical documentation or instructions and safety information) (articles 4, 5, 6, 7, 11.1, 11.2 and 13.8) • Administrative cost savings linked to the possibility of (i) derogating from DOP (article 5) and/or (ii) posting the DOP online (articles 7 and 60) • Administrative costs/cost savings linked to the affixing of the CE marking on products and the provision of information on the label (articles 8, 9, 11 and 13) • Administrative cost savings due to the easier accessibility of information through the Product Contact Points for Construction (PCPC) (articles 10) • Substantive costs/cost savings linked to the obligation for manufacturers to put in place factory production controls and to have an AVCP performed (articles 11, 13, and Annex V) • Substantive cost savings due to the simplification of procedures for the testing of products and for AVCP for micro enterprises (articles 36 through 38)
Professional Qualification Directive	<ul style="list-style-type: none"> • Administrative cost savings due to the simplification of procedures for the recognition of professional qualifications for establishment under the Automatic Recognition System (articles 21, 49 and 50) • Administrative cost savings due to the simplification of procedures for the recognition of professional qualifications for establishment under the General System (articles 13, 16, 17 and 50) • Administrative cost savings due to the simplification of procedures for the occasional provision of cross border services (articles 5- 7) • Administrative cost savings due to the availability of information via the PSC regarding applicable requirements online (article 57 PQD) and the possibility of complying with formalities online (article 57a PQD) • Administrative costs due to the obligation for service providers to provide information to the recipient of temporary cross-border services (article 9) • New business opportunities from the removal of obstacles to the mobility of professionals and craftsmen providing services to the construction industry

¹⁸ For convenience, the articles mentioned refer to the most recent act (e.g. CPR rather than CPD).

<p>Services Directive</p>	<ul style="list-style-type: none"> • Regulatory charges savings linked to the proportionality of administrative fees in authorisation schemes (article 13(2)) • Administrative cost savings due to the regulatory simplification of authorisations to the permanent establishment of services providers (articles 9, 10, 11, and 12) • Administrative cost savings due to the elimination of the vast majority of formalities concerning the cross-border provision of services on an occasional basis (article 16, namely 16(2)(b)) • Administrative cost savings due to the simplification of administrative procedures for all cross-border situations, resulting in simple form documents, acceptance of equivalent documents and tacit approval (articles 5 and 13) • Administrative cost savings due to the availability of information via the PSC regarding applicable requirements online (articles 7 and 21) and the possibility of complying with formalities online (articles 6 and 8) • Substantive cost savings linked to the elimination of the need to hire local staff when operating in another MS (articles 15(2)(f) and 16(2)(d)) • Substantive cost savings linked to the elimination of the need to proceed with corporate restructuring to meet entry requirements in another MS (articles 14.1.3, 15.2.b. and .c, and 25) • Substantive cost savings from the elimination of the need to acquire local insurance coverage when operating in another MS (article 23) • Substantive cost savings linked to the generalisation of alternative dispute resolution schemes (article 27) • Substantive cost savings from elimination of other particularly stringent restrictions (articles 14, 15, 24, and 25) • Substantive cost savings due to the elimination of the requirement to establishment for temporary cross-border providers (article 16.2.b) • Substantive cost savings linked to the disapplication of local rules on equipment and materials (article 16.2.f) and of most other host MS requirements (article 16) • Administrative costs due to the obligation for service providers to provide information to the recipient of cross-border services (articles 22 and 27) • New business opportunities from the removal of obstacles to the establishment and operation of construction firms and related providers of services
<p>Late Payments Directive</p>	<ul style="list-style-type: none"> • Financial savings (efficiency gains) linked to the setting of maximum and/or default payment terms in commercial transactions and criteria for the identification of grossly unfair terms and practices (articles 4, 5, and 7) • Substantive cost savings in the form of reduced litigation costs linked to automatic entitlement to late payment interest (articles 3 and 4)
<p>Energy Efficiency</p>	
<p>Energy Efficiency Directive</p>	<ul style="list-style-type: none"> • New business opportunities linked to obligation to renovate the stock of existing buildings, including the 3% target for central government buildings (articles 4 and 5) • New business opportunities linked to the increase in demand for high energy efficiency goods and services (including construction) by public bodies (article 6) • New business opportunities linked to the increase in demand for energy efficiency services associated to the obligation for energy distributors to reduce their sales by 1.5% per annum (article 7).

Energy Performance of Buildings Directive	<ul style="list-style-type: none">• Administrative costs linked to the obligation to obtain and display energy performance certificates of buildings (articles 11-13)• Substantive compliance costs linked to the obligation to meet energy efficiency requirements for buildings, building systems and building elements (articles 4, 6, 7, and 8)• Substantive compliance costs to become a qualified or accredited expert for building certification and equipment inspection (initial and continuous training, software licence, audit by administrations, etc.)• New business opportunities linked to the growing demand for energy-efficient buildings, building systems and materials in order to meet energy performance requirements• New business opportunities linked to issuance of energy performance certificates (articles 11-16)
Renewable Energy Source Directive	<ul style="list-style-type: none">• Substantive costs for the installers of renewable energy systems to meet requirements of certification or equivalent qualification schemes (article 14.3)

2 COSTS AND COST SAVINGS OF THE CPR/CPD

2.1 Introduction

In this section, the regulatory effects of the *Construction Product Regulation (CPR) and Directive (CPD)* are assessed,¹⁹ including those linked to the transition from the latter to the former. The effects, which were preliminarily assessed in the First Progress Report,²⁰ consist of substantial costs and cost savings, as well as administrative costs and cost savings. Before presenting the analysis, the data collection process is described, the framework of the CPR and the CPD is outlined, the regulatory addressees are mapped, and the changes introduced by the CPR which could affect regulatory costs and benefits for the construction sector are analysed.

The analysis relies on the methodology for the estimation of the effects presented in the Inception Report.²¹ Data sources include:

1. Primary information obtained through *interviews with companies*;
2. Primary information obtained through *interviews with trade associations, public authorities and other stakeholders*;
3. Primary information obtained through *an online questionnaire targeted at trade associations and other stakeholders*;
4. *Secondary sources*, including the EU²² and UK Impact Assessment (IA),²³ the CPD Evaluation Report,²⁴ the recent RPA study on the CPR,²⁵ and industry position papers.²⁶

The section is structured as follows:

- Section 2.2 presents the primary data collection process;
- Section 2.3 discusses the regulatory framework set by both the CPR and the CPD;
- Section 2.4 presents the market operators subject to the CPR;
- Section 2.5 lists and analyses the changes brought about by the CPR;
- Section 2.6 quantifies the administrative costs and cost savings linked to the obligation of providing information to customers (including the DOP and the CE marking);
- Section 2.7 quantifies the administrative cost savings linked to the possibility of derogating from the DOP and/or posting the DOP online;
- Section 2.8 quantifies the administrative cost savings due to the easier accessibility of information through the Product Contact Points for Construction (PCPC);
- Section 2.9 quantifies the substantive costs and cost savings linked to the obligation for manufacturers to put in place factory production controls and to have an Assessment and Verification of Constancy of Performance (AVCP) performed;
- Section 2.10 quantifies the substantive cost savings due to the simplification of the procedures for the testing of products and for the AVCP for micro-enterprises;
- Section 2.11 describes the impacts of the CPR on sustainability;
- Section 2.12 provides overall conclusions.

¹⁹ Cf. Section 1 above for the full list of regulatory effects.

²⁰ Cf. First Progress Report (Revised), 15 January 2015, at p. 50 and ff. The analysis of most of the regulatory effects has been deeply revised following the fact-finding phase.

²¹ Cf. Inception Report (Revised), 19 October 2015, at Section 4, in particular the sub-sections on substantive and administrative costs.

²² Commission Staff Working Document Accompanying the Proposal for a Regulation of the European Parliament and of the Council laying down harmonised conditions for the marketing of the construction products – **Impact Assessment, 23.5.2008, SEC(2008)1900. Hereinafter 'CPR IA'**.

²³ Department for Communities and Local Government (2009), **Impact Assessment of the European Commission's proposed Construction Products Regulation. Hereinafter, 'UK IA'**.

²⁴ PRC (2007), **Study to evaluate the Internal Market and Competitiveness Effects of Council Directive 89/106/EEC, Final Report to DG Enterprise and Industry of the European Commission, at pp. 28 and ff. Hereinafter 'IA Background Study'**.

²⁵ RPA (2015), **Analysis of implementation of the Construction Products Regulation, Final Report prepared for the European Commission, DG Internal Market, Industry, Entrepreneurship, and SME. Hereinafter, 'RPA Study'**.

²⁶ E.g., Construction Products Europe (2014) **implementation of the Construction Product Regulation, Manufacturers' report. Hereinafter 'CPE Position Paper'**.

2.2 Retrieval of primary information

Seventeen interviews were held with manufacturing companies, of which 14 delivered information on the CPD/CPR framework. As exporting manufacturers were actively looked for to be included in the sample, the sample was skewed towards larger companies (the larger the firm, the higher the probability that products are sold in other countries). To compensate, interviews were supplemented by an online survey targeted at trade associations and other stakeholders.

The interviews with companies were key to retrieve cost and cost saving parameters and, as consequence, to carry out the quantifications provided below in this section; importantly, the number of data points retrieved largely exceeds those required by the SCM method. However, several aspects of the CPR framework, including specific simplification provisions as well as the opinion of SME, could not be satisfactorily covered with a small number of in-depth interviews. For this reason, a *supplementary online survey of trade associations and other stakeholders* was run. The dissemination of the survey was supported by Construction Products Europe. Thirty-two stakeholders from 13 MS, Norway and Switzerland participated in the survey.

Finally, information was also retrieved from interviews with governments and trade federations at EU and national level. A workshop to retrieve information for this Study was organised by Construction Products Europe on 12 November 2015.

2.3 The Regulatory Framework of the Construction Product Regulation and Directive

As previously the CPD, the CPR regulates the market for construction products following the principles of the **'New Approach'** to Single Market regulation: the legal text sets the general objectives, while the detailed specifications for every single product are left to standardisation, under the responsibility of CEN. That way, the system remains flexible, with technical details left to co-regulation via harmonised standards (hEN), while promoting the fulfilment of the more general objectives, which are fixed in a binding norm.

However, the CPR/CPD are *sui generis* acts within the New Approach paradigm, not setting performance targets, but a *uniform measurement methodology for product performance*. While a New Approach Directive on e.g. the safety of certain products would state the minimum safety level that a manufacturer needs to guarantee to place a product on the Single Market, **the CPR 'only' sets a common methodology for measuring the performance of construction products over their essential characteristics.**²⁷

How can this approach focusing on *performance measurement* rather than product performance be explained? The most important explanation is that the definition of construction product requirements and, most notably, building requirements is left to MS, at either national or local level. This complies with the subsidiarity principle, inasmuch Member States and local governments can more effectively and efficiently tailor their construction product and building regulations to the geographical, climatic, and seismic features of their territory, and to the building customs and demand characteristics of their societies.

Secondly, the construction product performance alone does not ensure that the construction works in which they are installed fulfil any essential requirements. *The performance of a building depends on both the products used and its design*. The regulation of the essential requirements of construction works, as a consequence, requires to combine a **'construction product specification'** and an **'application rule'**, concerning the design, construction, or

²⁷ The essential characteristics of a construction product, as defined in art. 2.4 of the CPR, are those related to the Basic Requirements of a construction work. Those requirements are listed in Annex I to the CPR as follows: (i) Mechanical resistance and stability; (ii) Safety in case of fire; (iii) Hygiene, health and the environment; (iv) Safety and accessibility in use; (v) Protection against noise; (vi) Energy economy and heat retention; and (vii) Sustainable use of natural resources. The last requirement was not included under the CPD.

installation of buildings, building systems, and building elements. The essential requirements for **construction works, usually implemented by professionals through 'accepted solutions', vary from country to country, and even within a country.**²⁸

In a nutshell, MS or local governments are free to set requirements for construction product performance, or rather allow any product to be used as long as the essential requirements of construction works are met. *The CPR does not mandate any performance requirement, either for construction products or works, but sets a uniform method to measure the performance of a construction product*, which is then defined through standards. That way, **construction operators across the EU are sure that product performance declarations 'speak the same language', i.e. are drafted according to the same measurement methodology and parameters** regardless of the country of production or installation. Consequently, performance declarations can be effectively used to verify whether a construction work meets national and local requirements.

Through this framework, the CPR/CPD aims at ensuring the *free circulation of construction products within the Internal Market*, and as such at promoting the competitiveness of product manufacturers and the construction sector as a whole.²⁹ This objective is achieved by: (i) mandating manufacturers to express the performance characteristics of their products using only the harmonised technical language set by the CPR framework (including the applicable standards);³⁰ and (ii) prohibiting MS from preventing the making available on the market or the use of construction products compliant with the CPR framework, *as long as the declared performances correspond to the requirements for the use planned in that Member State.*³¹

The specific CPR/CPD approach has an important impact on the measurement of the costs and benefits generated for the construction sector: companies do not need to incur substantive cost to modify their products or production processes to meet any performance requirement, as confirmed by firms and trade associations. Rather, the CPR/CPD generates cost and cost savings related to the *measurement and certification of the performance of the products according to the applicable hEN or European Assessment Document (EAD)*.

2.4 Subjects affected by the Construction Product Regulation / Directive

The CPR/CPD mostly impact, as described in Sections 2.6 to 2.10 below, the manufacturers of construction products (as well as distributors and importers, which however do not fall within the scope of the Assignment). As a result, most of the impacts on the construction companies are indirect in nature and take the form of (i) passed-on costs, and (ii) information flows. As for the latter, construction companies are the recipients of the information provided through the DOP/CE marking; still, the impact is often mediated by the professionals (e.g. architects or engineers) in charge of designing the construction work and verifying the compliance with building requirements. The relationship among the different subjects is summarised in Exhibit 2.1 below.

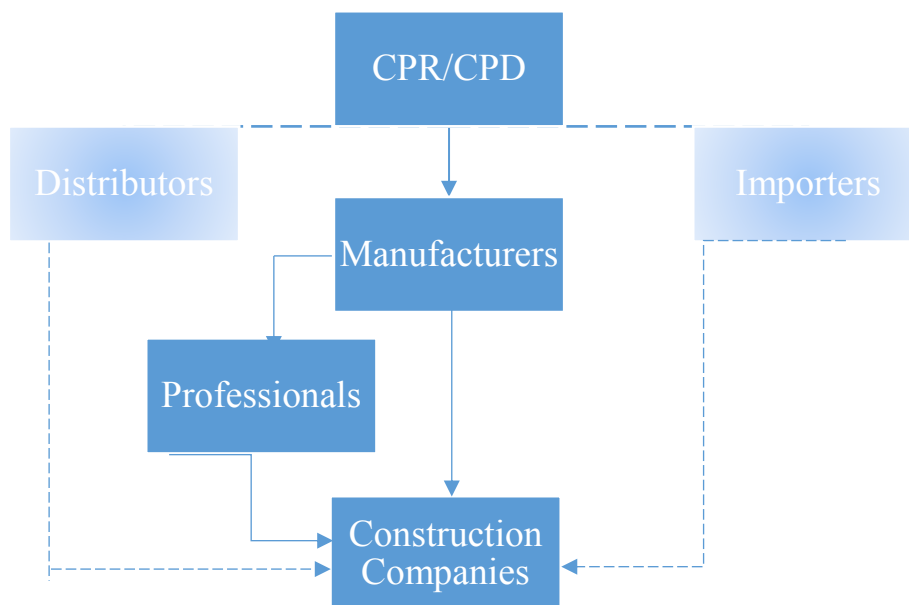
²⁸ Cf. IA Background Study, at pp. 28 and ff.

²⁹ Cf. CPR IA.

³⁰ Cf. Art. 4-6 CPR.

³¹ Cf. Art. 8.4 CPR.

Exhibit 2.1 CPR/CPD chain of impacts and subjects affected



Note: in shaded boxes / dotted lines, subjects and relations not covered by the Assignment

2.5 The changes introduced by Construction Product Regulation

The CPR was approved in March 2011 and fully came into force in July 2013,³² repealing the CPD and aiming at clarifying, simplifying and further harmonising the pre-existing legal framework. In this section, the most relevant changes which could affect the competitiveness and sustainability of the construction industry are presented.³³ The description is functional to the quantification of costs and cost savings carried out in sections 2.6 to 2.10 below.

DOP. Under the CPD, the manufacturer had to draw an Attestation of Conformity for the product to be CE-marked;³⁴ under the CPR, the manufacturer needs to draw a Declaration of Performance (DOP).³⁵ Both the CPD Attestation of Conformity and the CPR DOP include similar information. In the CPR, drafting a DOP has been made explicitly mandatory for all products covered by hEN or EAD. The main difference between the CPD and the CPR, however, is the obligation for the manufacturer to provide the DOP to its customers;³⁶ under the current framework, companies can opt for supplying their DOP in paper or via electronic means.³⁷ Finally, derogations from the obligation to draw a DOP were introduced for the following cases: (i) products individually manufactured or custom-made in a non-series process in response to a specific order, and installed in a single identified construction work; (ii) construction products manufactured on the construction site; and (iii) construction products manufactured in a traditional manner or in a manner appropriate to heritage conservation.³⁸ Differently, the CPD did not provide for any derogation from the obligation to draw an Attestation of Conformity, though a simplified declaration of conformity could be drafted for individual and non-series productions.³⁹

³² Art. 68 CPR.

³³ Hence, the section does not aim at providing a full analysis of the new CPR framework. For a full analysis of the changes and the early implementation of the CPR, cf. RPA Study.

³⁴ Art. 13 CPD.

³⁵ Art. 4 CPR.

³⁶ Under the CPD, the Attestation of Conformity was not placed on the market; it was kept with the manufacturer and provided upon need or request.

³⁷ Art. 7 CPR.

³⁸ Art. 5 CPR.

³⁹ Art. 13.5 CPD.

CE marking. Under the CPR, all products covered by a hEN or a European Technical Assessment, and for which a DOP has been drawn up, must be CE-marked.⁴⁰ Under the CPD, CE marking was not mandatory in four MS: Finland, Ireland, Sweden, and the United Kingdom.⁴¹ In addition to that, the meaning of the CE marking in the context of the CPR has been clarified.⁴²

Product Contact Points for Construction (PCPC). According to the CPR, MS have to **designate a PCPC to 'provide information, using transparent and easily understandable terms, on the provisions within its territory aimed at fulfilling basic requirements for construction works'**.⁴³ To reduce the proliferation of contact points, existing national contact points (e.g. those foreseen under the Services Directive) or to national SOLVIT centres can be appointed as PCPC.⁴⁴

Assessment and Verification of Constancy of Performance (AVCP). AVCP systems have been simplified by removing System 2, foreseen under the CPD.⁴⁵ Art. 37 allows micro-enterprises to use different methods for products covered by Systems 3 and 4, where so provided for in the hEN, and to resort to System 4 for products for which System 3 would be required. Art. 38 allows manufacturers to replace the AVCP with Specific Technical Documentation for individually manufactured or custom-made products in a non-series process.

Simplified testing provisions. The CPR has introduced several simplified procedures, such as in the following cases: (i) tests have already been carried out for corresponding products (cd. **'test-sharing'**); and (ii) **for assembled products, tests have already been carried out on components (cd. 'cascading')**.⁴⁶ In those cases, type-testing or type-calculation needs to be replaced by Appropriate Technical Documentation. Some of the simplifications provided by the CPR, such as the above-mentioned, were already part of the broader CPD framework, but not included in the binding text.⁴⁷

2.6 Administrative costs and cost savings linked to the obligation of providing information to customers (including the DOP and the CE marking)

In this section, the *administrative costs and cost savings related to drafting and supplying the DOP and the CE marking under the CPD and the CPR* are considered.⁴⁸ More in detail, under the CPD regime, i.e. between 2004 and 2012, costs arose from the preparation and storing of the AOC, and the preparation and supply of the CE marking; under the CPR regime, i.e. from 2013 onwards, costs have been generated from drafting and submitting to customers the DOP and CE marking.

The two tasks are considered jointly as a single business activity, as they are strictly linked to each other. Both the DOP and the CE marking rely on similar sets of information⁴⁹ and are prepared or updated through consequential processes. Because of their different nature (i.e. substantive costs), costs and cost savings linked to the Initial Type Testing (ITT) and the AVCP system are not covered here and considered below in Sections 2.9 and 2.10.

The tasks whose costs need to be quantified are the following:

⁴⁰ Art. 8 CPR.

⁴¹ Art. 4 CPR. Cf. CPR IA, at p. 9.

⁴², p.138.

⁴³ Art. 10 CPR.

⁴⁴ RPA Study, at p. 139.

⁴⁵ Cf. Annex III CPD and Annex V CPR.

⁴⁶ Art. 36 CPR.

⁴⁷ E.g., for test-sharing, cf. §4.13 of the Guidance Paper M concerning Council Directive 89/106/EEC.

⁴⁸ When collecting data relating to costs, companies are asked to provide the costs incurred to issue a DOP. As a result, the cost savings due to CPR simplifications, e.g. because of the eDOP, are already accounted for in the figures included in this section. In other words, the cost of issuing a DOP would be higher in the absence of an eDOP, but the savings are already included in the cost figures provided by companies. While a separate estimation of costs and cost savings cannot be presented in this section, savings due to specific simplifications introduced by the CPR are discussed in 2.7 below.

⁴⁹ The DOP and the CE marking have been criticised for their overlap; cf. CPE Position Paper.

1. *Drafting/updating a DOP*, including drafting or updating any other document attached to the DOP (where relevant);
2. *Access to hEN*;
3. *Supplying the DOP* to customers;
4. *Drafting, printing, and affixing the CE marking*.

The annual cost of drafting/updating a DOP for a typical manufacturing company is calculated through the following formula:

$$TC = (P_{new} * Q_{new}) + (P_{upd} * Q_{upd})$$

Where

- TC: Total annual Costs
P_{new}: Cost of drafting a new DOP
Q_{new}: Number of new DOP drafted each year
P_{upd}: Cost of updating a DOP
Q_{upd}: Number of DOP updated each year

However, the formula could not be directly applied because **no 'typical' Q for new and updated DOP is lacking across the firm population**, and even across homogeneous market segments. The number of DOP drafted or updated each year varies by three orders of magnitude, from 1 to 1100, primarily based on:

1. The *sector*: in mature sectors, the number of product series is lower and more stable. In more innovative sectors, the number of product series is higher and new products, even with limitedly different characteristics, enter the market more frequently.⁵⁰ As for updates, technological changes are more frequent for certain products in innovative **markets, while in stable market, according to interviewees, 'changes may take place even every 20 to 30 years'**. Differently, administrative changes – i.e. linked to the regulatory framework – take place with the same frequency for both innovative and mature products.
2. The *company size*: larger companies have a larger catalogue and hence more product series; however, the relation is not linear, as medium companies with many product series, e.g. in a sector where the output is more diversified, may draft more DOP than a large company in a mature sector with few products.

On the contrary, the frequency of updates has a narrower distribution, and varies from 0.2 (e.g. one update every 5 years) to 1 (e.g. one update per year).

As a typical Q could not be estimated based on primary data, the Consultants tried to resort to secondary sources. However, secondary information on the numerosity of this obligation, i.e. the number of products or product series for which a DOP is drafted or updated, is lacking. Both public authorities and trade associations confirmed that they know no source providing these data and providing estimates was not possible.⁵¹

Hence, another solution was attempted, by asking companies how many employees (in FTE) work on DOP preparation and updating, and whether other costs are incurred relating to the DOP preparation. However, a split between DOP preparation / DOP supply / CE marking preparation and supply appeared not to be realistic, because those tasks are usually conferred to the same people within a company. Hence, more aggregate data were collected on:

⁵⁰ Cf. the UK IA, claiming that costs will vary between product types, and even within product types, depending on whether the product is mass produced or part of a short run/individual manufacture. In addition, for some product types sectors, the costs will be higher than this average because of the amount/type of testing required.

⁵¹ A figure retrievable from public databases is the number of hEN for construction products, amounting to 445. The information, however, is of limited usefulness, as information on how widely each standard is used and for how many product series is lacking. Cf. Commission Communication in the Framework of the Implementation of Regulation (EU) No 305/ 2011, Publication of titles and references of harmonised standards under Union harmonisation legislation, 2015/C 378/03.

1. The number of people working on the DOP and the CE marking, including drafting, supplying and storing. Twelve companies provided the number of FTE working on the DOP and the CE marking preparation and supply. Very surprisingly, among the 13 available data points, all answers range between 0.5 and 2, while another company reports 5 FTE. Hence, clearly the number of people in charge of DOP tasks is largely unrelated to the size of the company. Based on the data retrieved, the following parameters are estimated:
 - a. A typical medium or large company – i.e. a firm with more than 49 persons employed - employs 2 FTE (usually a technician and one/two clerks) to deal with the DOP and the CE marking;
 - b. A typical SME – i.e. a firm with 10 to 49 persons employed - employs 1 FTE (either a technician, or a technician and a clerk) to deal with the DOP and the CE marking;
 - c. Micro-enterprises account for 80% of the company population according to available Eurostat data, with an average number of persons employed equal to 2.35.⁵² **Based on experts' estimate, 0.2 FTE are considered to be devoted to the DOP and the CE marking.**

Monetised values per typical enterprise are shown in Exhibit 2.2 below.

Exhibit 2.2 Unitary labour costs for DOP and CE marking, including drafting, supplying and storing

	Technician	Clerk	Salary: Technician	Salary: Clerk	Total Costs
Typical Micro	0.2 FTE	-	€ 37,142	€ 29,076	€ 7,428
Typical Small	0.2 FTE	0.8 FTE			€ 30,689
Typical Medium-Large	0.5 FTE	1.5 FTE			€ 62,185

Source: Interviews with firm and Eurostat Earnings Structure⁵³

2. Out-of-pocket costs for buying European Standards. The costs incurred to buy European Standards were **provided by 12 companies and range from €80 to €40,000** per year.⁵⁴ The costs vary depending on whether the company buys only hEN, or rather a subscription from a standardisation body or private service provider for both access to standards and other tailored services. Excluding companies with special subscriptions, **9 data points remain, ranging between €80 to €4000, with a median value amounting to €1,000. The latter is considered the typical cost.**
3. Other costs linked to the DoP and the CE marking. This cost parameter was investigated through two kinds of costs: (i) the costs linked to supplying the DOP and the CE marking to customers; and (ii) other costs (excluding AVCP costs). As for the annual costs incurred to supply the DOP and the CE marking to customers, 10 data points are **available, ranging from €100 to €30,000, with a mean and a median amounting to €9,232 and €6,000 respectively. Again, costs are not correlated to firm size. The median, i.e. € 6,000 per year, is considered as the typical cost.** As for the other costs, only three companies reported other expenses, such as the cost of familiarisation, the cost of setting up a website, or the cost of buying new labelling machines. Given that most of the respondents did not mention these costs, **the typical value is assumed to be €0. The other costs linked to the supply of other documents attached to the DOP are discussed in Box 2.1 below.**

⁵² Statistics on the firm size distribution are available at NACE 3-digit level, while some of the sectors included in the definition are at NACE 4-digit level; as an approximation, the share of micro, small, medium, and large companies in the corresponding NACE 3-digit group was used.

⁵³ Earnings refer to 2010 data for EU28, inclusive of 25% overheads; annual salaries are calculated based on 200 working days per year and 8 working hours per day.

⁵⁴ From a supply-side perspective, a typical price to access hEN cannot be identified, as it depends on various factors: access to electronic or paper version, additional services associated with the purchase of the document, size of the document, country of establishment, market demand for a specific hEN, translation costs. CEN provides a guidance on standard prices, but no price list or binding rules.

Box 2.1 Other documents and information on chemicals

In certain cases, other pieces of EU legislation may require manufacturers to attach additional documents to the DOP. This is for example the case of the safety data sheet or the information on restricted substances required by the REACH Regulation,⁵⁵ or safety instructions. In particular, art. 6.5 CPR mandates that certain information required by REACH in art. 31 and 33 shall be provided with the DOP. Three companies mentioned the need to attach other documents to their DOP, either by law or upon **customers' demand**, but did not mention any problem with this requirement. Two trade associations indicated that the requirements under the CPR concerning REACH information are not yet fully clear, but that the relation between the CPR and REACH is not causing **problems at the moment as 'we managed around this issue'**. A risk of future overlap between the CPR, on the one hand, and REACH and other chemical legislation, on the other, is considered possible. Trade associations would prefer the CPR to remain the applicable and prevailing legislation also for the chemical properties of construction products. As underlined, REACH concerns the assessment of the exposure to chemical risks for humans and the environment, while the CPR does not deal with exposure and risks, being a product-based regulation. For this reason, the level of detail required from manufacturers under the CPR, e.g. in the case of the release of dangerous substances, is higher than for the information that would be required under REACH. Hence, the CPR would be better equipped to deal with chemical-related information on construction products, also through the standardisation process (a hEN should indeed cover the release of dangerous substances as from next year).

Based on these cost parameters, the administrative costs and cost savings linked to the obligation of providing information to customers (including the DOP and the CE marking) are estimated as shown in Exhibit 2.3 below.

Exhibit 2.3 Unitary administrative costs and cost savings linked to the obligation of providing information to customers (including the DOP and the CE marking)

	Labour Costs	Access to hEN	Costs for supplying DOP and CE marking	Other costs	Total Costs
<i>Typical Micro</i>	€ 7,428	€ 1,000	€ 6,000	-	€ 14,428
<i>Typical Small</i>	€ 38,494				€ 45,494
<i>Typical Medium-Large</i>	€ 78,257				€ 85,257

To estimate administrative burdens, the BAU factor needs to be determined. Two preliminary considerations are made: (i) product manufacturers would inform customers of the performance of their product even without the CPR; and (ii) the prescribed tools, i.e. the DOP and the CE marking, are made necessary by the CPR. Since these two considerations lead to inconsistent conclusions, the Consultants asked companies, trade associations, and other stakeholders about the commercial value of the DOP, both through the interviews and the surveys. The results are summarised in Exhibit 2.4 below.

⁵⁵ Regulation (EC) No 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No 793/93 and Commission Regulation (EC) No 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC.

Exhibit 2.4 To what extent do the DOP and the CE marking convey commercial information?⁵⁶

	Firms (interviews)	Stakeholders (survey)
<i>Not at all</i>	8%	14%
<i>To a limited extent</i>	0%	43%
<i>To some extent</i>	23%	26%
<i>To a high extent</i>	69%	17%
<i>Data points</i>	13	35

Source: Interviews with firms and stakeholder survey

The distribution of opinions is quite different across the two groups: for firms, the modal answer is 'to a high extent', selected by two thirds of the respondents. Still, opinions from interviews are quite polarised: one respondent mentioned that the DOP and the CE marking are 'very important, because they convey information about the quality of the product'; another considered 'a big mistake to think of the DOP as useful for the user: it is a legal requirement and no customer asks for it; most customers, including professionals, would not even understand its content'. For trade associations and other stakeholders, the modal answer is 'to a limited extent' – two ladders below –, selected by more than 40% of respondents. One association commented that 'the DOP includes what the legislators consider relevant, and not what customers need or want, as confirmed by contractors'.⁵⁷ By applying quantitative weights to the qualitative answers,⁵⁸ the BAU factor would be estimated at 64% based on firms' answers, and at 36% on trade associations'. Given that answers from trade associations and other stakeholders are more representative of the diverse construction product industries, also including SME and non-exporting companies, the BAU factor is estimated at 40%.

Based on the cost parameters and the BAU factor discussed above, the administrative burdens and burden savings linked to the obligation of providing information to customers (including the DOP and the CE marking) are estimated in Exhibit 2.5 below.

Exhibit 2.5 Administrative burdens and burden savings linked to the obligation of providing information to customers (including the DOP and the CE marking)

	Administrative burdens
<i>Typical Micro</i>	€ 8,657
<i>Typical Small</i>	€ 27,296
<i>Typical Medium-Large</i>	€ 51,154

Based on the sector definition, as described in Section 1.2 above, the number of enterprises operating in 2013 is estimated at 245,289. According to Eurostat data, the share of medium and large enterprises can be estimated at 3.72%, the share of small enterprises at 12.58%, and the

⁵⁶ The question was phrased as follows: 'Considering the information included in the DoP and the CE mark, to what extent can it be considered 'commercial information', i.e. information which has a value for you as a supplier or that would be demanded by the customer?'.
⁵⁷ A contractor association claimed that its members have 'extreme views' about the usefulness of the DOP, being 'very useful for someone, completely useless for others'. In any case, 'the choice of construction products is based on trust and long-standing relations, rather than on the information provided under the CPR framework'.
⁵⁸ Quantitative weights are as follows: (i) not at all = BAU factor 0%; (ii) to a limited extent: BAU factor 25%; (iii) to a significant extent: BAU factor 50%; and (iv) to a high extent: BAU factor = 75%

share of micro enterprises at 83.70%.⁵⁹ Based on these parameters the *total administrative burdens for the EU28 in 2014 can be estimated at € 3.1 bln*. This amount accounts for 1.1% of the sectoral turnover.⁶⁰ These costs are higher than those quantified by the IA background study, but estimates are hardly comparable because of methodological differences and of the different time period to which data refer. This discrepancy will be further explored in Section 2.12 below⁶¹

Cost differential between the CPR and the CPD linked to the obligation of providing information to customers (including the DOP and the CE marking)

The possible cost differentials between the CPR and the CPD for this activity are the following:

1. Change in the number of employees working on the DOP and the CE marking. Thirteen companies provided information on this possible cost differential, with 10 indicating that no change occurred. Differently, three companies reported an increase in the workforce, with 2 quantifying the increase (+5% and +20% respectively). According to these data points, the typical company is estimated not to have increased the number of employees working on the DOP and the CE marking after the introduction of the CPR.
2. Other one-off costs, related to the DOP or the CE marking. First of all, the costs for supplying the DOP only relate to the CPR, as the CPD did not provide for this obligation. **Hence, these costs, amounting to € 6,000 as shown in Exhibit 2.3 above, are considered as CPR-specific costs.**⁶² As for other one-off costs, data provided mixed evidence. 6 out of 12 companies reported to have incurred other one-off costs related to the CPR, while according to trade associations and other stakeholders, 72% of the companies incurred some one-off costs. The magnitude of one-off expenses may be significant, ranging from **several thousand € to more than one-hundred thousand €**. **In general, large companies report higher costs.** The categories of costs reported include: (i) new DOP; (ii) change in packaging; (iii) databases and online platforms; (iv) familiarising both the staff and the customers; (v) the costs for software; (vi) changes in internal management procedures; (vii) purchase of new standards (in case they were released to comply with the new framework); (viii) printing equipment and materials; and (ix) translation. Some interviewees also lamented the lack of clarity of the legal framework right after the CPR was introduced: *'[we] had a series of interpretative meetings [on the DOP] with industry representatives and public authorities, and nobody could agree on the content and format of the DOP for 1.5 years; [our] technical department spent 10 to 20% of their time trying to understand the changes brought about by CPR'*. For this reason, in certain countries, governments have heavily invested in the dissemination of and the familiarisation with the CPR framework. Based on the information retrieved from both the interviews and the survey, the following estimates are made: 30% of the companies did not incur other one-off costs after the introduction of the CPR, while 70% did. The estimate is in line with previous evidence: according to the RPA study, more than half of the surveyed companies had to adapt their internal system, e.g. by updating the IT systems, databases, websites, or preparing and translating DOP.⁶³ **As a result, the cost differential is estimated at €3,000 for SME and €10,000 for large enterprises.**⁶⁴

⁵⁹ See note 51 above.

⁶⁰ Source for turnover: Eurostat SBS.

⁶¹ The IA background study adopts a counterfactual *ex ante* methodology and attempts to measure the additional cost compared to a baseline in which no CPD/CPR is adopted, while this Study measures costs effectively borne by manufacturers over the 2004-2014 period. In the IA Background Study (at p. 41), the costs for various sectors were estimated at between 0% and 0.9% of the total turnover. In any case, the data relating to 2006 (as the study dates back to 2007) are much closer to those estimates, as the share of costs over turnover is estimated at 1.4% (see Exhibit 2.6 below).

⁶² See Exhibit 2.3 above. The full figure is considered, as the bulk of the costs reported under this item are related to the DOP rather than the CE mark.

⁶³ Cf. RPA Study.

⁶⁴ The UK IA Study estimated one-off costs at £ 4,000 / € 4,490. The RPA Study includes some case-specific estimates, though related to the whole transition from the CPD to the CPR, and not specifically to the

3. Change in the population of companies subject to CE marking obligations (relevant in the MS in which it was not mandatory). Out of the 15 companies interviewed, 5 were based in a MS in which the CE marking was not mandatory; in all cases, products were CE marked also before the CPR became mandatory for business reasons, including the need to signal quality to customers and the interest in accessing other EU markets. Analogously, the sample also included 2 companies for which the CE marking was not mandatory because of the lack of an applicable hEN. Both, however, decided to CE-mark their products **for business reasons, and in particular because 'the CE mark is a very good way to certify products, because they are then perceived as comparable to those manufactured by large companies [...]: for certain products, the CE mark became a de facto business standard'**. The business push for the CE-marking also applied to companies that did not export, and to sectors whose output is tradeable only at limited distances, such as cement. The issue was further investigated with EU and sectoral trade associations, and the result was largely confirmed, with the exception of specific sectors and/or products (e.g. aggregates). Based on this information, the share of companies which CE-marked their products only after the introduction of the CPR is estimated at 20% of the enterprises in Finland, Ireland, Sweden, and the UK.⁶⁵
4. Change in the number, frequency of updates, and/or burdensomeness of the DOP and the CE mark. 13 companies provided information on this cost differential, with 7 reporting no change between the CPR and the CPD, and 6 indicating changes. However, in two cases changes are specific to the European Organisation for Technical Assessment (EOTA) route, which is discussed more in detail in Box 2.2 below. Only one company quantified the additional burden, amounting to 10%. For these reasons, this differential **is conservatively costed at € 0 for the typical company.**

Box 2.2 Costs for the EOTA route

In principle, the costs incurred under the EOTA route can hardly be considered as regulatory costs, since ETA is a voluntary alternative for construction products not covered by hEN. Furthermore, these costs only **concern a small segment of companies, and, as a consequence, are unlikely to enter the 'typical cost'** estimation performed via the SCM. For this reason, the costs incurred under the EOTA route are not considered alongside other categories of costs in this section. However, these costs do impact the competitiveness of firms in certain sub-sectors, and are significantly higher than the costs incurred under the hEN route. **Importantly, some companies and associations reported that CE marking has become a 'de facto requirement', putting these costs into a grey area which is very close to regulatory costs, at least for products for which CE marking is in practice necessary to remain in the market.**

In brief, the EOTA allows manufacturers to draw up the Declaration of Performance and affix the CE marking on products not covered by applicable hEN. To do so, the manufacturer has to request the ETA to a Technical Assessment Body, which can issue the document based on the EAD, as developed by the EOTA. One SME reported that the EOTA procedure, including drafting and translating the ETA, as well as testing costs, **required an investment of €350,000 over 7 years, on top of the labour costs incurred for managing 'usual' CPD/CPR compliance. ITT alone would cost about €50-60,000.** EOTA costs would thus amount to 0.7% of the turnover. Moreover, ETA are also more difficult to supply, given their size (e.g. about 100 pages in one case), which makes their provision as an electronic document difficult.

changes related to the DOP and the CE marking. In particular, a UK company operating in the pavement **sector spent about €270,000 for the CE marking**, including testing, Factory Production Control (FPC), drawing of a DOP and labelling and packaging adjustments; on a different note, Irish notified bodies suggested that the costs for steel product manufacturers are likely to be in the range **of €8,000 - €15,000**. Importantly, these data include the ITT and the AVCP costs.

⁶⁵ Based on the information retrieved, the estimate is higher than that in the UK IA. Also in that study, data on the number of companies or products already covered by the CPR were not available. The study calculated that 86% of the UK market for construction products (in value terms) was potentially subject to CE marking, and that the CE mark was already voluntarily adopted for one third of these products.

Diachronic analysis. In Exhibit 2.6 below, the total administrative burdens and burden savings generated by the CPD/CPR obligation of providing information to customers (including the AOC, the DOP and the CE marking) for the period 2004-2014 are reported. The following assumptions are made:

1. Q: Number of companies. Baseline data are taken from Eurostat SBS, as presented in Section 1.2 above.⁶⁶ The share of large enterprises is assumed to amount to 0.47%, based on Eurostat SBS.⁶⁷ For the period 2004-2012, 20% of the companies in Finland, Ireland, Sweden and the UK are assumed not to have incurred CE marking costs. Romanian and Bulgarian companies are considered from 2008 onwards, Croatian from 2013 onwards;
2. P: Annual costs. As discussed in this section, the cost estimates retrieved from companies refer to the most recent situation, i.e. to 2014. Since the collection of cost data referring to the whole period could not be carried out, information on time trends in general, and in particular on cost differentials between the CPR and the CPD, was collected from companies. As already reported, data concur that the workload was quite stable across the whole period. The introduction of the CPR brought about changes, in particular in the content of the DOP (compared to the AOC), and with regard to the duty to supply the DOP to customers. While the former is one-off cost that is discussed further below, the additional costs for providing the DOP (€6,000 per year, as estimated above) are considered from 2013 onwards. For previous years, in the absence of major regulatory-driven changes, costs are deflated through the price index for construction inputs.⁶⁸

Exhibit 2.6 Administrative burdens linked to the obligation of providing information to customers (including the DOP and the CE marking): 2004 – 2013, one-off costs excluded

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Population</i>	197,426	209,048	222,138	258,458	258,120	249,030	255,907	256,237	247,711	245,289	245,289
<i>Micro</i>	165,245	174,973	185,930	216,330	216,047	208,437	214,194	214,470	207,334	205,307	205,308
<i>Small</i>	24,837	26,299	27,946	32,515	32,472	31,329	32,193	32,235	31,162	30,857	30,857
<i>Medium&Large</i>	7,344	7,776	8,262	9,613	9,601	9,264	9,520	9,532	9,215	9,125	9,125
<i>Annual Burden per Enterprise</i>	-										
<i>Micro</i>	€2,641	€2,642	€2,644	€2,645	€2,646	€2,647	€2,649	€2,650	€2,651	€8,653	€8,657
<i>Small</i>	€16,836	€17,429	€18,174	€18,924	€19,735	€19,831	€20,117	€20,716	€21,074	€27,193	€27,296
<i>Medium&Large</i>	€35,717	€36,976	€38,555	€40,147	€41,867	€42,071	€42,677	€43,949	€44,709	€50,961	€51,154
<i>Total burdens</i>	€ 1.1 bln	€ 1.2 bln	€ 1.3 bln	€ 1.6 bln	€ 1.6 bln	€ 1.6 bln	€ 1.6 bln	€ 1.7 bln	€ 1.6 bln	€ 3.1 bln	€ 3.1 bln
<i>Micro</i>	€ 0.4 bln	€ 0.5 bln	€ 0.5 bln	€ 0.6 bln	€ 0.6 bln	€ 0.6 bln	€ 0.6 bln	€ 0.6 bln	€ 0.6 bln	€ 1.8 bln	€ 1.8 bln
<i>Small</i>	€ 0.4 bln	€ 0.5 bln	€ 0.5 bln	€ 0.6 bln	€ 0.6 bln	€ 0.6 bln	€ 0.6 bln	€ 0.7 bln	€ 0.7 bln	€ 0.8 bln	€ 0.8 bln
<i>Medium&Large</i>	€ 0.3 bln	€ 0.3 bln	€ 0.3 bln	€ 0.4 bln	€ 0.4 bln	€ 0.4 bln	€ 0.4 bln	€ 0.4 bln	€ 0.4 bln	€ 0.5 bln	€ 0.5 bln
<i>% Turnover</i>	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	1.1%	1.1%

Exhibit 2.6 does not include one-off costs incurred by companies because of the transition from the CPD to the CPR, i.e. in 2013. As discussed above, these costs are estimated at €3,000 for small companies and €10,000 for large companies, assuming that 30% of the companies incurred in no one-off costs. **One-off costs would amount to €522 mln** for the whole sector,⁶⁹ annualised over the years 2013 and 2014, as shown in the final quantification in 2.10 below.

2.7 Administrative cost savings linked to the possibility of derogating from the DOP

⁶⁶ Data on the number of companies in 2014 are not available; hence, 2013 data are used. Data for the period 2004-2007 are not consistent due to the NACE revision, hence an extrapolation based on turnover and average turnover per company in the period 2008-2013 is used.

⁶⁷ See note 51 above.

⁶⁸ Index on input prices for materials, source: Eurostat.

⁶⁹ More in detail, all large enterprises are assumed to have incurred one-off costs.

and/or posting the DOP online

In this section, the administrative cost savings linked to the possibility of derogating from the DOP and/or posting the DOP online are discussed. These savings are related to:

1. The issuance of the DOP via electronic means (*eDOP*);
2. *Art. 5 derogations* from the obligation to issue a DOP.

The RPA study found that art. 5 derogations are only limitedly used, while being more positive about the use of the eDOP.⁷⁰ The former claim was confirmed by early exchanges with stakeholders. For this reason, given the low likelihood of capturing companies actually using art. 5 derogations, firms were asked only about the eDOP, while trade associations and other stakeholders also about art. 5 derogations.

Provision of the eDOP. The issuance of the eDOP is regulated by art. 7 CPR and by a Commission delegated act.⁷¹ The RPA study acknowledged a certain use of the eDOP, though detailed information is only available for specific MS or sectors. Reportedly, some sectors (e.g. steel products) are more reluctant to provide an eDOP,⁷² and some customers only accept a paper-based DOP. No information on cost savings is available from secondary sources.

The most recent evidence from both the firm interviews and the survey – collected about 15 months later compared to RPA data– differ significantly and opinions changed considerably. Among the 13 companies that provided an answer, only 1 did not opt for the eDOP, and 3 firms supply both the eDOP and the paper version; on the contrary, *9 companies declared that they provide only the electronic version. Survey data also show that the eDOP is largely used by product manufacturers, as claimed by more than 70% of respondents.*⁷³ Still, one trade association indicates that *'[the] costs for conversion to fully internet-based DOP [are] not affordable for SME'*.

One possible reason for the discrepancy is the time elapsed between the approval of the delegated act and the current round of data collection. As reported by some associations, at the **beginning** *'manufacturers had issues making the DOP available on a website instead of supplying paper copies [...] due to legal uncertainties and the unavailability of the delegated act'* and *'as the Delegated [Act was] published a while after the CPR was fully set into force, the industry suffered from uncertainties'*.

Concerning the acceptance of the eDOP, 11 firms provided an answer during the interview, all reporting the *no problem was encountered with their customers*. In the words of a trade **association**, *'customers have no preference as to how DOP are supplied'*. As mentioned, however, in a few cases **customers still want a paper version, but the manufacturer can 'deliver it via post on an ad-hoc basis', or 'supply the distributor with an electronic version of the DOP, and the distributor can then print it upon request'**. **The acceptance of the eDOP is reportedly very high** also according to the stakeholder survey.⁷⁴ The ways the eDOP is supplied include: (i) the upload of the eDOP on the company website, in either a public or restricted area; (ii) the upload of the eDOP on the different website; (iii) the outsourcing of the service to an external provider – including setting up an electronic database available online to customers; and (iv) the shipping of physical supports (e.g. CD) to distributors.

⁷⁰ RPA Study, at p. 22.

⁷¹ Commission Delegated Regulation (EU) No 157/2014 on the conditions for making a DOP on construction products available on a website.

⁷² RPA study, pp. 20-21.

⁷³ The question was phrased as *'Do construction product manufacturers represented by your association resort to electronic supply of the DoP (e.g. via their website)?'*, and the answer was *'to a high extent'* in 71% of cases.

⁷⁴ The question was phrased as *'Do customers of product manufacturers represented by your association accept electronic supply of the DoP instead of the paper version?'*, and the answer was *'to a high extent'* in 69% of cases.

The information on the cost savings due to eDOP is scarce, mainly because very few of the companies which were interviewed still rely on the paper version. *All interviewees using the eDOP considered it cheaper or much cheaper than the paper version.* This holds even more true for the suppliers of products which are sold in small boxes/quantities, such as nails, because the costs of the paper-based DOP would be higher than product price. Two firms were able to quantify savings, with one medium-sized company **estimating them at €100,000, and a large company estimated at about 50% of the DOP supplying costs.** These savings, which are already accounted for in the figures presented in section 2.6,⁷⁵ suggest that resorting to the eDOP provision offers very high benefits. However, quantitative data points are too thin to extrapolate results to the entire firm population. If the 50% saving was representative of the **typical firm, annual savings would amount to €1.4 bln compared to a situation in which the eDOP were to be submitted mandatorily as a paper document.**⁷⁶ Further investigation on this issue is recommended within the context of the incoming study on the CPR economic impacts..

Art. 5 derogations. According to art. 5 CPR, in specific cases products falling within the scope of a hEN or an EAD, and thus in principle subject to the obligation to draw up a DOP, can be exempted. These products include (i) products individually manufactured or custom-made in a non-series process in response to a specific order, and installed in a single identified construction work; (ii) construction products manufactured on the construction site; and (iii) construction products manufactured in a traditional manner or in a manner appropriate to heritage conservation. Importantly, these product categories may be relevant for certain sub-sectors (e.g. handmade bricks or stone, special windows), but irrelevant for others (e.g. cement).

Through the survey, stakeholders were first asked whether these derogations apply to companies in their sector,⁷⁷ and 36% of respondents replied that this was not the case. Among the 16 respondents for which art. 5 derogations were relevant, most of them (63%) replied that they knew of no cases in which these derogations were resorted to; 5 respondents mentioned that this derogation is used for products manufactured on the construction site; and only 1 for traditionally-manufactured products. Those findings are consistent with the findings of the RPA report.

Stakeholders were also asked about the problems and opportunities arising from the use of art. 5 derogations. Qualitative replies suggest that art. 5 is not sufficiently clear, as far as both the text and its interpretation by national authorities are concerned. The possible provision of a common interpretation by the Commission, e.g. via soft law, is considered useful in addressing this shortcoming.

2.8 Administrative cost savings due to the easier accessibility of information through the Product Contact Points for Construction (PCPC)

The PCPC were introduced by the CPR to reduce the burdens for companies to familiarise with construction product and building legislation in other EU MS. In the context of the recent RPA study, a survey was conducted on the activities of the PCPC, providing useful data to determine the benefits (administrative cost savings) for construction product companies and contractors.⁷⁸

Based on the Commission official documents, as of January 2015 PCPC were established in all

⁷⁵ See note 47 above.

⁷⁶ **The typical annual costs for supplying the DOP were estimated at €6,000 (see Exhibit 2.3 above); if the eDOP generated a 50% savings, the annual costs would amount to €12,000, and the saving to €6,000 per company.**

⁷⁷ **The question was phrased as 'Among the companies that you represent, are you aware of product manufacturers using derogations from the duty to draw up a DoP for the following categories of products?'**

⁷⁸ Cf. RPA study at p. 36 and ff.

28 EU Member States.⁷⁹ Still, the level of awareness among companies is quite low. The RPA study found that 57% of the surveyed companies in the construction sector were not aware of the PCPC, 43% were aware of their national PCPC, and only 18% of the PCPC in other MS. Importantly, 15% of the sampled companies had ever resorted to a service provided by a PCPC, and, interestingly, most of the requests were addressed to the PCPC of the MS in which the company was based for queries about national legislation.

The RPA study provides the number of requests received per year by 12 PCPC, amounting to 1770 in 2014.⁸⁰ The number of requests is not proportional to the economic size of the economy, or to the size of the construction or construction product sectors (e.g., 150 queries are reported for Croatia, 140 for Lithuania, while 100 for France and 50 for Spain). Hence, to extrapolate this value to the EU28, an average number of yearly request equal to 147.5 per national PCPC is assumed. The overall number of requests received by all EU28 PCPC would then total 4,130.

Once the number of yearly requests is estimated based on RPA data, to calculate total savings a set of assumptions is needed on the value of the time and cost saved:

1. Requests to PCPC may save: (i) internal work, i.e. the time needed to familiarise with unknown or uncertain legal provisions, and retrieve information from national and local authorities; and (ii) external costs, i.e. when consultants are resorted to provide information on unknown or uncertain legal provisions;
2. Companies are likely to use PCPC for small- or medium-complexity requests; for very complex issues, a company is likely to resort to its own internal resources or to external consultants in any case.

Three typical requests are defined based on these assumptions:

1. Very simple requests, implying a saving of four person-hours without the involvement of external consultants;
2. Simple requests, implying a saving of one person-day with external consultants involved **in 20% of the cases for a fee amounting to €400;**
3. Medium requests, implying a saving of two and a half person-days with external consultants involved **in 50% of the cases for a fee amounting to €1,000.**

Three scenarios are then developed to allow for a range of likelihood of each category of requests:

1. Scenario A: 70% very simple requests; 20% simple requests; 10% medium requests;
2. Scenario B: 50% very simple requests; 30% simple requests; 20% medium requests;
3. Scenario C: 40% very simple requests; 35% simple requests; 25% medium requests.

Based on the number of requests as extrapolated from the RPA study, the average hourly salary rate for a technician inclusive of overheads (€23.2, source: Eurostat Earnings Statistics), the saving per request and the scenarios, the range of administrative cost savings is calculated as follows.

⁷⁹ European Commission, DG Enterprise and Industry, List of Product Contact Points for Construction (Regulation (EU) 305/2011, Art 10), available at: <http://ec.europa.eu/DocsRoom/documents/4170/attachments/1/translations/en/renditions/native>

⁸⁰ For some countries, data refer to a typical year (and thus may also reflect 2013); where ranges are provided, the median value was used; finally, data include both requests from national and other EU companies.

Exhibit 2.7 Administrative cost savings due to the PCPC

	Requests			Savings			Internal Labour Costs	External Costs	Total
	Very Simple	Simple	Medium	Very Simple	Simple	Medium			
Scenario 1	2891	826	413	€ 268,285	€ 188,724	€ 302,316	€ 486,745	€ 272,580	€ 759,325
Scenario 2	2065	1239	826	€ 191,632	€ 283,087	€ 604,632	€ 567,231	€ 512,120	€ 1,079,351
Scenario 3	1652	1446	1032	€ 153,306	€ 330,382	€ 755,424	€ 607,432	€ 631,680	€ 1,239,112

The administrative cost savings linked to the **use of the PCPC then range between € 760,000 and € 1.2 mln**. Since information on the trend of requests to the PCPC is lacking, the same level of savings is attributed to both 2013 and 2014. Though based on expert assessment rather than primary information, these savings remain quite low if compared to overall costs; consequently, even significant variations in the assumptions would not have a large impact on the final results. The low magnitude is due to the quite limited number of requests submitted so far to the PCPC, and could increase with time, as soon as more companies become aware of this opportunity.

2.9 Substantive costs/cost savings linked to the obligation for manufacturers to put in place factory production controls and to have an AVCP performed

In this section, the costs due to the obligations linked to the AVCP system, including Initial Type Testing (ITT) and Factory Production Control (FPC), are assessed. Unlike other costs generated by the CPR/CPD, and in line with the European Commission Better Regulation Toolbox,⁸¹ these costs are classified as substantive. The same classification applies to the savings linked to simplifications in the area of testing and AVCP, discussed below in section 2.10.

ITT and AVCP procedures vary according to the applicable AVPC system, which is determined by Commission secondary acts. Exhibit 2.8 below shows the role of the manufacturer and of the notified body, where involved in the AVCP systems.

Exhibit 2.8 Activities for manufacturers and notified bodies in the various AVCP

	1+	1	2+	3	4
FPC	Manufacturer	Manufacturer	Manufacturer	Manufacturer	Manufacturer
Initial FPC inspection	Notified Body	Notified Body	Notified Body	-	-
Continuous FPC surveillance	Notified Body	Notified Body	Notified Body	-	-
Factory Sample Test	Manufacturer	Manufacturer	Manufacturer	-	-
ITT	Manufacturer	Notified Body	Manufacturer	Notified Body	Notified Body
Audit testing	Notified Body	-	-	-	-

Source: Construction Product Association

The tasks whose costs need to be quantified are the following:

1. Testing, including both ITT and other testing;
2. FPC measures.

The parameters which need to be determined are the following:

1. Number of employees working on testing;
2. Frequency of testing;
3. Share of ITT and other tests carried out in-house vs. outsourced;

⁸¹ Better Regulation Toolbox, Tool #53.

4. Operational and external costs incurred for testing;
5. Number of employees working on the FPC;
6. Operational costs for the FPC;

As discussed in Box 2.3 below, the data points to estimate this cost item are extremely variable across the firm population, preventing the identification of typical cost parameters. However, this is of limited relevance to the analysis once the BAU factor is taken into account. Opinions on the BAU factor are extremely consistent, as all companies reported that *most or all costs incurred for the AVCP, including initial testing, ongoing testing, and other factory production control measures, would be incurred in any case because of quality management and to provide information on product performance to customers.*⁸² In particular:

1. Declaring the product performance (even with tools different from the DOP and the CE marking) requires some form of initial testing;
2. Ensuring quality production requires ongoing testing and other quality management processes, that is factory production control, tools and equipment.

For instance, one firm claimed that 'performance tests have nothing to do with CPR; [we] would do it as part of [our] normal production process and quality management'. Actually, one contractor federation even claimed that 'trust in AVCP is low in certain countries, so that market requirements go beyond what would be needed under the CPR, e.g. as for the intervention of a notified body'. To corroborate this assumption, even in countries where the DOP and CE marking obligations were not mandatory, companies still carried out testing and quality certification, and thus reported few additional costs due to the CPR framework.

The CPD/CPR mandate specific requirements for the AVCP system, in particular whether certain steps (e.g. initial FPC inspection, factory sample test, or audit testing) have to be undertaken. However, firms reported that most of the quality management systems require similar procedures, including the most widespread ones (e.g. ISO 9001), product-specific certifications, or country-specific certifications. **Indeed, 'a company that aims at achieving a quality certification for its products would perform test similar to those required for the DOP and CE marking, even in the absence of any mandatory provision'. Interestingly, a company uses the same CPR procedures also for the FPC for extra-EU markets. At the same time, the CPD/CPR requires companies to resort to notified bodies for certain products and certain steps of the quality management process. However, again, other quality management systems require the use of external certifiers; besides, with regard to initial testing, firms, especially SME, may not have the necessary laboratories and equipment available in house. Possibly, the legal requirement to use notified bodies increases the demand for such a service in a market where access is constrained by the accreditation system, thus increasing the price; however, fact-based data to disentangle such a price-driver could not be retrieved.**⁸³ Anecdotal evidence from interviews **seem to point out that, at least in certain MS, the market for notified body's services is becoming more competitive, putting a downward pressure on the price. At the same time, reportedly, in certain countries, especially the smallest, the provision of notified body's services is so limited that companies have to go abroad for testing certain products.**

All in all, the Consultants suggest considering the obligation for manufacturers to put in place factory production controls and to have an AVCP performed as a BAU-activity, i.e. a *BAU factor amounting to 100%*. When confronted with this hypothesis in the interviews, most of the respondents agreed, while some other suggested that some costs should still be considered as regulation-driven. However, as discussed above, the elements to identify this small share of non-BAU costs are not sufficiently consistent across the firm population to provide a reasonable estimate.

⁸² This hypothesis may not be entirely true for small operators in certain sub-sectors, i.e. those selling simple products in local markets, where past business relationships make the provision of technical information less crucial.

⁸³ Interviewed firms were **surveyed about the 'unit price' of tests by a notified bodies. This question was considered unfit, because a typical unit price does not exist, as it depends on (i) the type of product; (ii) the parameters that need to be tested. Values reported vary from few € to € 80,000.**

Box 2.3 Cost parameters for the AVCP

As anticipated, the data points collected on AVCP costs are company or even factory specific and do not allow to identify a typical parameter in most cases. Details on the data collected are provided below.

Number of employees working on testing. 13 companies were able to provide information on the number of employees working on testing. The answers given range from 1, for three companies when only one technician is responsible for testing operations, to 80, including two companies that reported that all factory workers are involved to some extent in testing operations. The value varies significantly based on (i) the sub-sector; (ii) the firm dimension; and (iii) the business model (i.e. centralised vs. diffused testing).

Frequency of testing. The frequency of the ITT depends on how often a new or an updated DOP is issued. The frequency of the ITT on a product series varies from once per year to once every five years. As for updating the DOP, the parameter changes for products in more mature or more innovation-driven markets. However, the total number of the ITT depends not only on the frequency of testing, but also on the number of DOP,⁸⁴ which adds another layer of variability to the estimation. The analysis is even more complex for testing other than the ITT, i.e. those linked to quality control and/or the FPC. Companies in various markets differ widely as for their testing strategies: testing frequency can be twice per week, daily, twice per day, hourly, or for each production batch.

Share of the ITT and the other tests carried out in-house vs. outsourced. For ITT costs, the use of external test providers may be mandated by the applicable AVCP system. Indeed, for 7 companies out of the 13 providing this information, the share of outsourced ITT tests ranges between 95% and 100%. However, 4 companies reported that only between 10% and 20% of the ITT tests are outsourced. For the FPC and the other tests, most companies use internal control equipment or laboratories.

Operational and external costs incurred for testing. The categories of costs reported include: (i) the cost of the equipment; (ii) the costs for internal tests; and (iii) the fees for notified bodies. 12 companies were able to provide a cost estimate of operational and external testing, again with a very high variability. The drivers for such a variation are again (i) the sub-sector; (ii) the firm dimension; and (iii) the requirement to involve the notified bodies.

Number of employees working on the FPC. 12 companies could provide information on the number of employees working on the FPC, with answers ranging from 0.5 to 80, again signalling that in certain companies all employees are assigned certain FPC and quality control tasks. As in the case of the employees working on testing, the number of workers working on the FPC varies widely according to (i) the sub-sector; and (ii) the firm dimension.

Operational costs for the FPC. The categories of costs mentioned include: (i) the fees for the notified bodies certifying the FPC, according to the applicable AVCP system; (ii) the cost of the certification of the quality management systems; and (iii) the cost of quality surveillance. 12 companies were able to provide an estimation of operational costs, with answers ranging from **€3,000 to €800,000. As in the case of testing costs, the variation is driven by (i) the sub-sector;** (ii) the firm dimension; and (iii) the requirement to involve the notified bodies.

⁸⁴ That is, frequency of ITT times the number of DOPs.

Cost differential between the CPR and the CPD linked to the obligation of providing information to customers (including the DOP and the CE marking)

To estimate the cost differentials between the CPR and the CPD for this item, interviewees were asked whether testing costs or FPC costs changed after the adoption of the CPR. All companies reported that neither testing costs nor FPC costs were modified by the introduction of the CPR,⁸⁵ e.g. '[t]esting was going on at the same rate under the CPD and did not change after the CPR; the only thing that really changed is the paperwork (DOP).' As a result, the Consultants to confidently state that no cost or cost savings was brought about by the CPR with respect to AVCP costs. This conclusion is consistent with, and supports the analysis of, (i) the very limited, close to zero, impact of the regulatory framework on these quality management procedures; and (ii) the very limited uptake, so far, of certain simplifications introduced by the CPR, discussed in Section 2.10 below.

2.10 Substantive cost savings due to the simplification of the procedures for the testing of products and for the AVCP for micro-enterprises

Under this section, substantive cost savings linked to the simplification of the testing procedures and the AVCP for micro-enterprises are discussed, in particular: (i) *test-sharing and cascading*;⁸⁶ (ii) *the opportunity for micro-enterprises to use a simplified AVCP*;⁸⁷ and (iii) *the use of Specific Technical Documentation in place of the AVCP for individually manufactured or custom-made products*.⁸⁸

Based on secondary sources, the uptake of these provisions is considered low. The RPA study reports that about 20% of the respondents are aware of any organisation using these provisions (which obviously does not correspond to a 20% share of companies using these provisions). In some sectors, such as that of certain timber products, provisions currently enshrined in art. 36, such as cascading and test-sharing, are reportedly commonly used, because they were allowed under the CPD as interpreted by the Guidance paper M, and are included in the applicable hEN.⁸⁹

To assess this regulatory effect, questions about the uptake and savings linked to art. 36 to 38 were introduced into the questionnaire to trade associations and other stakeholders – as done for art. 5 derogations. The expected low uptake, as underlined by the previous study and early contacts with stakeholders, implied that the chances to obtain information from sampled firms might be too low. While in principle art. 36 derogations are relevant for all companies and all sectors, respondents were preliminarily asked whether micro-companies represent a significant proportion of companies in their sector, and whether custom-made non-series product represent a significant output in their sector, to determine the relevance of art. 37 and 38 CPR. The results are summarised in Exhibit 2.9 below.

Exhibit 2.9 Uptake of CPR testing simplifications

	Art. 36	Art. 37	Art.38
<i>Respondents</i>	21	22	21
<i>Not relevant</i>	-	45.5%	67%
<i>No uptake</i>	43%	45.5%	19%
<i>Limited uptake</i>	38%	9%	9%
<i>Some uptake</i>	19%	0%	5%
<i>High uptake</i>	0%	0%	0%

⁸⁵ 13 respondents for the first item; 12 respondents for the second item.

⁸⁶ Art. 36 CPR.

⁸⁷ Art. 37 CPR.

⁸⁸ Art. 38 CPR.

⁸⁹ RPA study, at p. 87.

The main and consistent result is that 'no uptake' is the modal answer for all three kinds of simplifications. However, the uptake of art. 36 testing simplifications, including test-sharing and cascading, was higher than that estimated by the previous study, as 57% of surveyed stakeholders reported some uptake among their associates. More in detail, several stakeholders pointed out that test-sharing is used in the case of private-labels products: the manufacturer not only sells its product to the distributor which will then label it under its own name, but also shares the test results. Cascading is especially relevant for products which are sold as kits of components and then assembled by a downstream player. While most of the stakeholders pointed out, qualitatively speaking, that *art. 36 simplifications did generate cost savings*, no quantitative estimates could be provided, as no company within our sample did make use of this simplification.

The uptake of art. 37 and 38 simplifications remained very limited, also because only relevant to specific sectors or products: 9% and 14% of the respondents were aware of the use of the simplified AVCP systems for micro-enterprises, or the use of the Specific Technical Documentation rather than AVCP for non-series or custom-made products, respectively. As a result, art. 37 and 38 are not currently generating significant savings. One government mentioned that *'these simplifications are of limited importance to SME; what matter most would be a definition of when a product is 'industrial' and when 'artisanal'*.

The possible reasons for the limited uptake, and thus impact, of these provisions were investigated through the survey and interviews with public authorities and stakeholder associations. In general, stakeholders pointed out primarily two obstacles:

- 1) On the regulatory side, the *lack of legal clarity* concerning the implementation of these simplifications, including (i) the specification of the simplified procedures in the relevant hEN; (ii) the lack of Commission guidance for both companies and Member State authorities; (iii) the lack of a clear perception about whether national authorities would not challenge simplified testing methods;
- 2) On the business side, the *reluctance to use simplified procedures* which could be interpreted as a **'reduced' guarantee of performance; such a reluctance is particularly relevant for SME that have to compete with large manufacturers.**

More specific obstacles concerning the use of the different simplifications are discussed here below.

Further specific reasons concerning art. 36 simplifications:

- the reluctance to share proprietary commercial information with competitors or downstream players (**'organising test-cascading is a task for trade associations, as companies would have few incentives to do so'**);
- the risk for small competitors or downstream players of stronger linkages with larger manufacturers, which could then limit or distort competition, and create forms of lock-in and dependency;
- in mature markets, companies that had already carried out the ITT before the publication of Guidance Paper M and the introduction of the CPR did not need to resort to test-sharing or -cascading, as the product performance had already been established;
- **art. 36.1(b) of the CPR provides that '[t]he manufacturer may use the test results obtained by another manufacturer only after having obtained an authorisation of that manufacturer, who remains responsible for the accuracy, reliability and stability of those test results.'** Such a provision is fit for situations in which a large manufacturer shares test results with other players, but may be difficult to implement when tests are organised and then shared by a consortium of manufacturers or a trade association;

Further specific reason concerning art. 37 simplifications:

- the circularity, that is the fact that in sectors where small and micro enterprises are an important segment of the market, standards are usually written in such a way that they

can be applied by smaller operators at limited costs; hence, further simplifications are less needed.

Further specific reason concerning art. 38 simplifications:

- the possible burdens linked to the demonstration of the equivalence of the Specific Technical Documentation (*'embarking in a new simplified procedure may cause uncertainty and be as costly as undertaking the old procedure'*);

2.11 The CPR and sustainability

Another innovation introduced by the CPR is Basic Requirement 7, 'Sustainable use of natural resources'. Previously, the CPD did not cover the performance of construction products with respect to the use and consumption of natural resources in buildings and did not provide a common language and parameters to measure reuse, recyclability, durability, or the use of environmentally compatible raw and secondary materials. Basic Requirement 7 is an enabling provision, allowing manufacturers to declare the 'environmental performance' of their products in the DOP and in the CE marking.

However, to become operational the provision requires the adoption of the relevant standards, so that hEN for construction products also include measurement methodologies for the environmental performance. To date, no hEN has reportedly included Basic Requirement 7.⁹⁰ Currently, part of the industry is using the standard EN 1580413 as a voluntary method to provide environmental information to customers and further work is being carried out within CEN Technical Committee 350.⁹¹

As a result, the new CPR provision is not yet producing any effect and has not triggered an improvement in the sustainability of the sector. While this was acknowledged by stakeholders, some of them also pointed out that the framework, when operational, could provide *'critical environmental performance information, which could be used for a better and more sustainable construction and operation of the building, and to perform carbon management or environmental risk assessment'*.

2.12 Conclusions

Here below, the costs and cost savings generated by the CPD/CPR are summarised in Exhibit 2.10. Concerning the population of companies subject to the CPD/CPR, on the one hand the number risks being overestimated, as the enterprises included within the NACE sector covered by the sectoral definition are also likely to include companies with 1 to 4 employees, which are unlikely to manufacture products on their own and thus to comply with CPR. On the other, however, the estimates do not cover many other NACE sectors, which are not sufficiently homogeneous to be considered as part of the 'construction product sector', but which are subject to these requirements.⁹² Moreover, the estimates are likely to underrepresent the benefits arising from art. 36, for which no quantitative estimates could be retrieved or inferred from the companies interviewed. At the same time, the estimates are based on the assumption of a '100% BAU Factor' for AVCP procedures, which may prove slightly over-optimistic, but for which no sufficiently granular information to disentangle the share of regulatory burdens could be collected.

⁹⁰ RPA Study, at p. 134.

⁹¹ CPE Position Paper, at p. 27-28.

⁹² E.g. glass and aluminium manufacturers.

Exhibit 2.10 CPR/CPD: summary of costs (positive values) and cost savings (negative values) (€ mln)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Administrative burdens/burden savings linked to the obligation of providing information to customers (including the DOP and the CE marking)</i>	€ 1,117	€ 1,208	€ 1,318	€ 1,573	€ 1,614	€ 1,563	€ 1,621	€ 1,655	€ 1,618	€ 3,081	€ 3,086
<i>One off-costs linked to transition to the CPR</i>	-	-	-	-	-	-	-	-	-	€ 301	€ 301
<i>Administrative cost savings linked to the possibility of derogating from the DOP and posting the DOP online</i>	-	-	-	-	-	-	-	-	-	(-€ 1,472)*	(-€ 1,472)*
<i>Administrative cost savings due to the easier accessibility of information through the PCPC</i>	-	-	-	-	-	-	-	-	-	-€ 1	-€ 1
<i>Substantive burdens/burden savings linked to the obligation for manufacturers to put in place an AVCP system</i>	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0
<i>Substantive cost savings due to the simplification of the procedures for the testing of products and for the AVCP (art. 36)</i>	-	-	-	-	-	-	-	-	-	n.a.	n.a.
<i>Substantive cost savings due to the simplification of procedures for the testing of products and for the AVCP (art. 37-38)</i>	-	-	-	-	-	-	-	-	-	€ 0	€ 0
Total	€ 1,117	€ 1,208	€ 1,318	€ 1,573	€ 1,614	€ 1,563	€ 1,621	€ 1,655	€ 1,618	€ 3,381	€ 3,387

* savings already accounted for in the item above

Concerning the attribution of costs and cost savings to the various government tiers, all cost and saving items – excluding BAU costs – quantified in this section are of EU origin. This hold even more true for the period following the introduction of the CPR: differently from the CPD, the legal framework is now based on a Regulation, without an opt-out clause for MS intending not to impose CE marking obligations. Importantly, MS authorities and public administrations clearly have an impact on costs, being the enforcement authorities; however, enforcement practices are not relevant to this analysis of regulatory costs.

Such a conclusion on the attribution of costs and cost savings applies to the current state of the art of the regulatory framework for construction products and is, in other words, fact-based. In **the absence of EU provisions, costs would not 'disappear', as national or local rules would replace them**, as was the case before the adoption of the CPD. As discussed in section 2.3 above, building regulations rely on both 'application rules' and 'construction product specifications', and the latter require some form of performance declaration. However, fact-based information on the costs or benefits of separate national regulations could not be retrieved, since the current legal framework dates back, in its main elements, to the early Nineties. As a result, companies and other stakeholders have little or no memories of the previous situation.⁹³ Importantly,

⁹³ Unsurprisingly, large multinationals are very glad to have a single EU-wide regulation on construction product performance: *'the CPR is a blessing for pan-European companies [...] because harmonisation and standardisation of testing and information to be provided to clients reduce the overall costs of quality testing (e.g. external laboratories knows already what to do in all MS, information to be provided are similar in all MS, it is easier to move products across national borders, company internal procedures and layout of internal laboratories can be harmonised thus reducing costs [...])'*. However, this is not the case across all sectors, firm-sizes and countries. In one MS, it was reported that the CPR framework required substituting one standard for a certain product with six new standards, which were hardly fit for immediate use by local

considering that, from a counterfactual point of view, CPR costs are fully of EU origin, but not fully additional, the estimates presented above are roughly in line with those presented in the IA Background Study.

Finally, benefits due to the additional circulation of goods and services within the Single Market are not covered by the analysis. Stakeholders, including firms, construction product trade associations and contractors, were asked whether the CPR is among the main drivers when buying construction products from other EU Member States. Answers concurred that other drivers are significantly more important in shaping the EU Single Market for construction products. In particular, the tradability of many construction products is low, given the low value-to-weight ratio. Though some products (e.g. wall tiles) or some niche specifications do travel the Single Market, in most cases transport costs offset any benefit from buying in another Member State. Even construction companies operating abroad⁹⁴ largely rely on local suppliers. Secondly, in **contractors' purchasing choices, existing business relationships and trust reportedly** matter more than the declaration of the product performance required under the CPR framework. Finally, the regulatory framework is too old to retrieve fact-based data and information from companies about benefits due to the additional use of foreign suppliers after the introduction of EU rules in the construction product market. All in all, benefits are likely to be low for most of market segments, though positive for the ones whose products have a higher tradability; in any case, even for tradable products, CPR information cannot be expected to be among the main market drivers.

SME.

⁹⁴ Which indeed represents a small share of the total, see Section 5.3 below.

3. BUSINESS OPPORTUNITIES, COSTS, AND COST SAVINGS OF THE PQD

3.1 Introduction

In this section, the regulatory effects of the Professional Qualification Directive (PQD) in terms of new business opportunities, administrative costs, and cost savings are assessed.⁹⁵ Before the analysis, the main trends generated by the PQD concerning the mobility (stable and temporary) of professionals of the construction sector is evaluated.

The analysis relies on the methodology for the estimation of the effects presented in the Inception Report.⁹⁶ The exercise is based on the following sources:

1. Primary information obtained through *interviews with professionals*;
2. Primary information obtained through *interviews with trade associations, public authorities and other stakeholders*;
3. Primary information obtained through *an e-mail survey targeted at national Chambers of Architects* to retrieve cost parameters for carrying out the cost and cost savings assessment linked to the recognition process;
4. The *Regulated Professions Database* (RPD)⁹⁷ published by the European Commission, including legal information about whether a profession is regulated and in which MS, and the number of successful, unsuccessful and pending applications for establishment or temporary mobility.⁹⁸

Box 3.1 Number of professionals and craftsmen included in the RPD

The RPD includes data submitted by MS, which retain responsibility for the quality, accuracy and responsiveness of the available information. To make it explicit, the Commission has introduced a disclaimer **in the RPD, stating that "[t]he database contains information on regulated professions, statistics on migrating professionals, contact points and competent authorities, as provided by EU Member States, EEA countries and Switzerland. Each country is responsible for updating information, on its regulated professions, competent authorities and statistics."**

The relevant Commission services have raised doubts regarding the comprehensiveness of the RPD, which may result in an underestimation of cross-border mobility. The Consultants were not in the position to verify the figures included in the RPD for each MS and profession. However, the information retrieved from the PQD was validated, where possible, via secondary sources and interviews. While discrepancies may remain between the number of accepted demands and the number of professionals and craftsmen establishing abroad or providing temporary services cross-border, the information obtained from other sources suggests that, whatever the gaps in the database, they are unlikely to alter the overall picture of limited cross-border mobility.

Obviously, the RPD does not account for professionals and craftsmen moving to a MS in which a certain profession or craft is not regulated. However, professionals and craftsmen moving towards these MS do not pass through the mechanisms of the PQD, as the recognition of professional qualifications is not necessary therein. Hence, the PQD can neither be attributed administrative costs or burdens falling upon these professionals and craftsmen, nor benefits because of their mobility. In brief, professionals and craftsmen moving towards MS where a profession or craft is not regulated are not relevant for the analysis of the economic effects of the PQD. This also means that the description of the main trends in cross-border mobility in the construction sector (reported in Section 3.2 below) does not account for the whole number of flows, but only for those that go through the PQD mechanisms.

⁹⁵ Cf. Section 1 above for the full list of regulatory effects.

⁹⁶ Cf. Inception Report (Revised), 19 October 2015, at Section 4, in particular the sub-sections on substantive and administrative costs.

⁹⁷ http://ec.europa.eu/internal_market/qualifications/regprof/ (last accessed on March, 2016).

⁹⁸ Data were retrieved from the PQD in November 2015.

5. *Other secondary sources*, including the EU Impact Assessment (IA),⁹⁹ the PQD Evaluation,¹⁰⁰ and the mutual evaluation reports¹⁰¹.

The PQD aims at facilitating the mobility of professionals and craftsmen and intra-EU trade in services by ensuring that EU professionals enjoy the freedom both of establishment and to provide professional services in another MS on a temporary basis. To this purpose, the PQD establishes different frameworks. For the freedom of establishment, the PQD consolidates three recognition regimes:

1. The *automatic recognition system based on harmonised minimum training requirements*, currently applicable i.a. for architects;
2. The *automatic recognition system based on professional experience*, currently applicable for certain craft activities;
3. The *general system*, applicable to all professions not covered by specific rules and professionals that do not meet the conditions of the other recognition systems, i.a. engineers, architects whose title is not included in Annex V to the PQD, and craftsmen without sufficient working experience to access the automatic recognition system

As for temporary service provision ('temporary mobility'), the PQD prescribes that the host MS may only require incoming professionals and craftsmen a yearly declaration including details concerning the insurance cover, the nationality and the professional qualifications. When the profession has public health and safety implications and is not subject to automatic recognition, the host MS may also conduct a prior check of these qualifications. This regime did not exist before the introduction of the PQD.

The section is structured as follows:

- Section 3.2 analyses the main trends in cross-border mobility;
- Section 3.3 provides an overview of the most mobile construction professions;
- Section 3.4 quantifies the added value generated by cross-border mobility of professionals and craftsmen in the construction sector;
- Section 3.5 quantifies the administrative costs and cost savings linked to the recognition process;
- Section 3.6 concisely concludes.

3.2 Main Trends in Cross-Border Mobility

Overall, under the PQD framework more than *31,000 decisions were made between 2003/2004 and 2014 on the mobility of construction-related professionals and*

⁹⁹ Commission Staff Working Paper, Impact Assessment, Accompanying document to the Proposal for a Directive of the European Parliament and of the Council amending Directive 2005/36/EC on the recognition of professional qualifications and Regulation on administrative cooperation through the Internal Market Information System, SEC(2011)1558. Hereinafter, 'PQD IA'.

¹⁰⁰ European Commission (2011), Evaluation of the Professional Qualifications Directive, Brussels, 05.07.2011. Hereinafter 'Evaluation PQD'.

¹⁰¹ Directorate General for Internal Market, Industry, Entrepreneurship and SMEs E/5 (2015), Mutual evaluation of regulated professions: Overview of the regulatory framework in the business services sector by using the example of architects Report based on information transmitted by Member States and on the meeting of 30th September 2014. Hereinafter 'Mutual evaluation – Architects'; and Cf. Directorate General for Internal Market, Industry, Entrepreneurship and SMEs E/5 (2015), Mutual evaluation of regulated professions Overview of the regulatory framework in the construction sector by using the example of civil engineers Report based on information transmitted by Member States and on the meeting of 30 September 2014, at §2. Hereinafter, 'Mutual recognition – Engineers'.

craftsmen¹⁰² towards EU countries where such professions are regulated.¹⁰³ The vast majority of these decisions (about 89%) concern the permanent establishment in the host MS, while about 3,500 relate to temporary mobility.¹⁰⁴ Construction professions represent a small share of the decisions taken under the PQD, respectively 9% for establishments and 21% for temporary mobility. Figures are summarised in Exhibit 3.1 below.

Exhibit 3.1 Number of construction professionals establishing or temporary moving in another MS

	Establishment	Temporary Mobility
To EU Countries	27,623 (9% of total PDQ mobility)	3,525 (21% of total PDQ mobility)

Source: RPD

For construction professionals and craftsmen, the *geographical distribution*, in terms of country of origin and destination, does not have a clear pattern across regimes and professions. Temporary mobility tends to concentrate in one or a couple of bilateral flows, usually between bordering countries. As for establishments, a significant difference between the distribution of crafts, and other professionals, such as architects and engineers, seems to exist. The latter are rather dispersed, and their bilateral flows are in most cases correlated to the population or market size of each country, although with some notable exceptions. On the other hand, the figures relating to the establishment of craftsmen are influenced by the number of countries having a dedicated regulation in place. For instance, this is the case for masons and bricklayers, and painters and decorators, moving virtually only towards Austria and Belgium.

Exhibit 3.2 below shows the number of decisions for both establishments and temporary mobility, and the share of decisions related to the construction sector over total decisions. In the period 2003/04 to 2014, the number of decisions introduced by Member States in the database regarding the establishment of professionals within the EU varied between 1,300 and 4,000, with a peak in 2007, followed by a decline during the subsequent economic crisis. For temporary mobility, the provisions became operational only in 2007, and fully so in the following years, due to the progressive transposition and implementation of the PQD.¹⁰⁵ Based on the decisions entered by Member States in the database, the number of construction professionals opting for temporary mobility is significantly lower (several hundreds rather than several thousands applications per year), with a peak in 2009. Over the last years, annual applications for temporary mobility stabilised between 300 and 500.

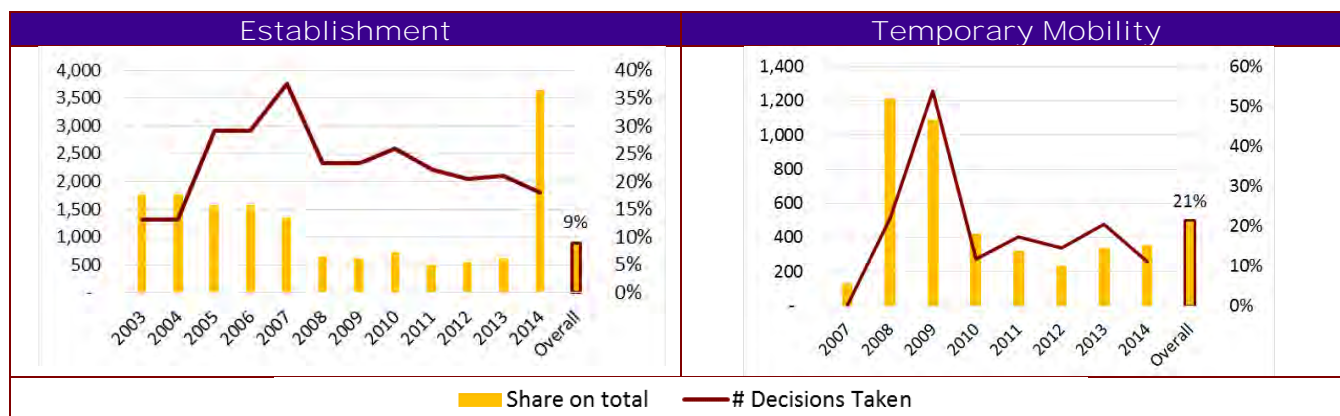
¹⁰² 25 professions out of the 361 included in the RPD were identified as relevant for the construction sector: (i) air conditioning technician/Heating/Central heating technician/installer/repairer/Maintenance-Installation of ventilation equipment; (ii) architect; (iii) building contractor; (iv) building engineer; (v) building insulator/building insulation; (vi) building site coordinator; (vii) civil engineer; (viii) electrical engineer; (ix) electrical equipment/appliances contractor/repairer/installer; (x) electrician /senior electrician/specialised electrician; (xi) engineer; (xii) floor layer; (xiii) gas installer/repairer; (xiv) interior designer-architect; (xv) joiner/carpenter; (xvi) junior architect; (xvii) mason/bricklayer; (xviii) master builder; (xix) painter-decorator; (xx) plasterer; (xxi) plumber; (xxii) roofer/roofing; (xxiii) scaffolder; (xxiv) technical expert for the quality of construction projects; and (xxv) tiler.

¹⁰³ The RPD does not track flows of workers towards countries in which a profession or craft is not regulated. Cf. Box 3.1 above.

¹⁰⁴ The Commission notes that the RPD may be incomplete as for temporary mobility figures. Cf. Evaluation PQD.

¹⁰⁵ The PQD was fully transposed only in 2010, which is almost three years after the deadline. *Ibid.*

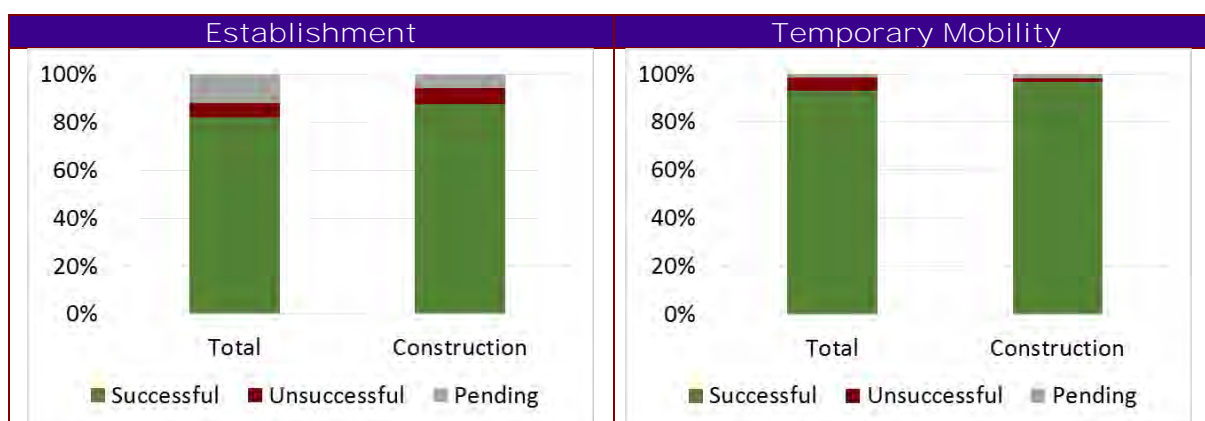
Exhibit 3.2 Decisions on mobility



Note: Applications for 2003/04 and 2005/2006 were equally split over two years. Source: RPD

As shown in Exhibit 3.3 below, the *success rate of the applications* is nearly 90% for establishments, and over 95% for temporary mobility. In both cases, the percentage is comparable with the success rate for the entire dataset for the same period. Expectedly, the success rate is higher under the automatic system (e.g. architects) than the general system (e.g. engineers).

Exhibit 3.3 Success rate of decisions

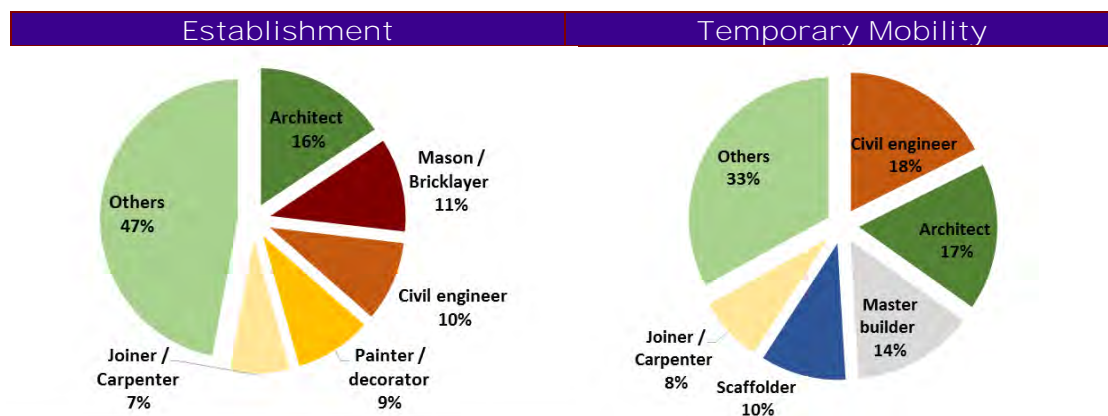


Notes: Construction data refer to the top 10 most mobile professions¹⁰⁶. Source: RPD

The over 20,000 decisions issued by host countries in which a craft or professions is regulated and which were actually entered in the database were *highly concentrated among a handful of professions*. Architects and civil engineers are among the most mobile professions for both establishment and temporary mobility, accounting cumulatively for more than one fourth of intra-EU movements of construction professionals. The other 5 most mobile professions in the sector are crafts, and namely masonry, painting and decoration, carpentry, and scaffolding. The most mobile construction professions are analysed more in details below in Exhibit 3.4.

¹⁰⁶ I.e. (i) Architect; (ii) Mason /Bricklayer; (iii) Civil engineer; (iv) Painter-decorator; (v) joiner/carpenter; (vi) Plasterer; (vii) Engineer; (viii) Master builder; (ix) Tiler; and (x) Electrical equipment/appliances contractor/repairer/installer.

Exhibit 3.4 The most mobile construction professions

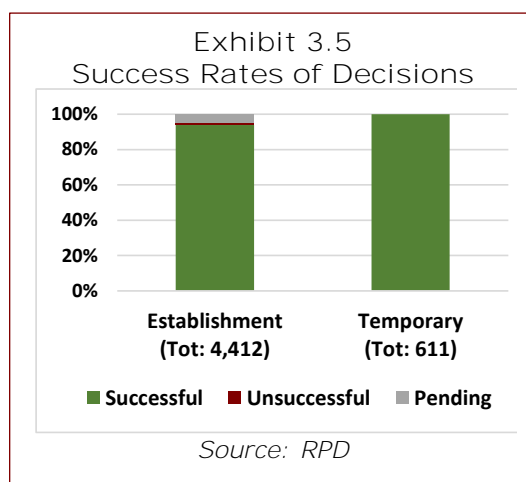


Source: RPD

3.3 Overview of the key construction professions

Architects

Architects are among the professionals with the highest mobility within the EU, for both permanent establishment and temporary mobility. The profession is regulated in 25 EU countries.¹⁰⁷ In the 2003/2004 – 2014 period, approximately 5,000 decisions were introduced in the database regarding the intra-EU movement of architects, of which some 4,400 concerned the establishment in another country, while approximately 600 regarded temporary mobility. The success rate is very high in both cases, with shares well over 95% for the establishment and up to 100% for temporary mobility (see Exhibit 3.5). The high success rate is explained by the fact that architects benefit from the automatic system.

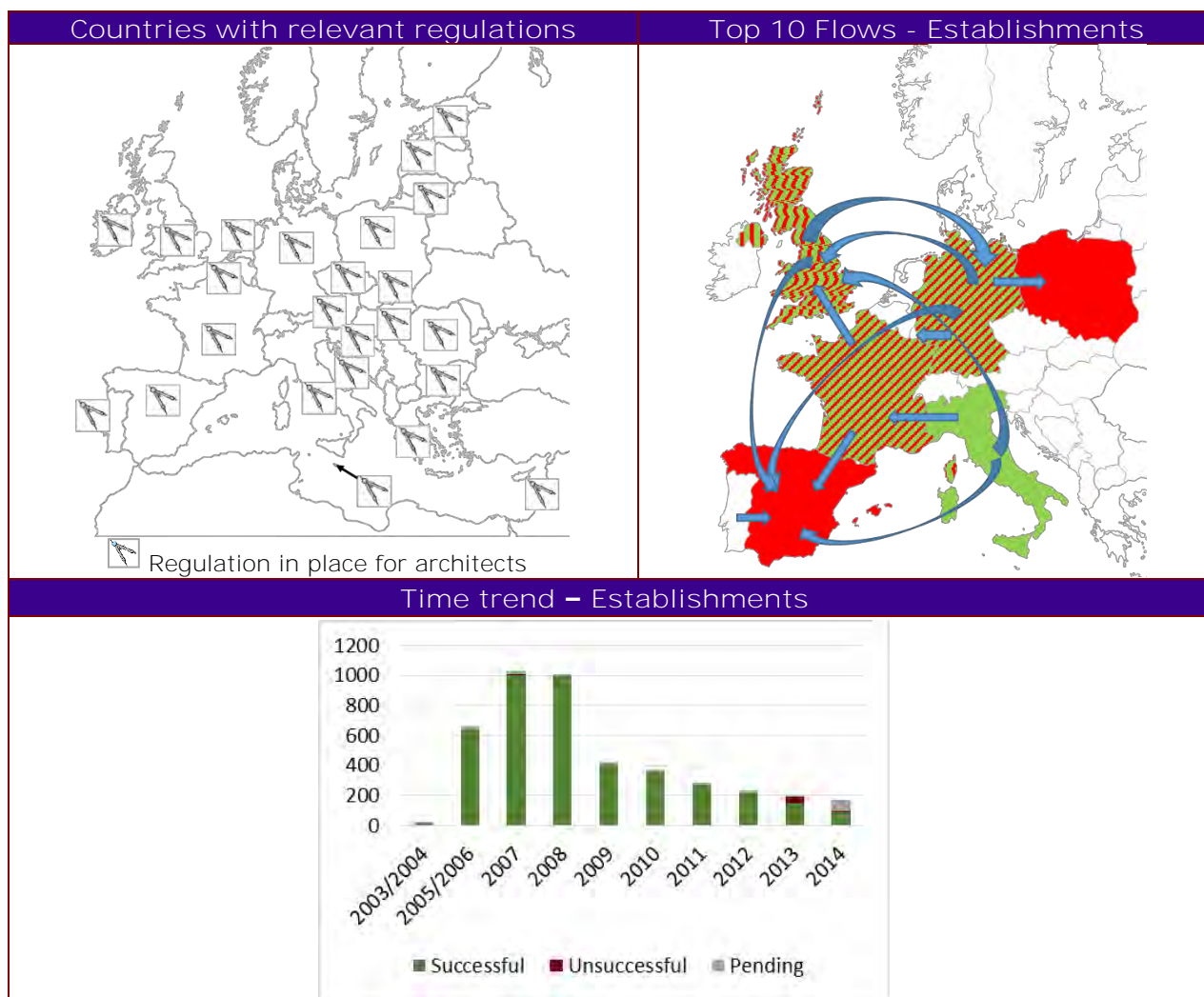


Source: RPD

With regard to establishments, after a peak in 2007-2008, the number of decisions issued stabilised at 300-400 per year. Compared to the case of electricians, the flows of architects are much more equally distributed among EU MS, with most countries experiencing both an inflow and outflow of professionals.

¹⁰⁷ Non-regulating countries are Sweden, Denmark, and Finland. Cf. Mutual evaluation – Architects. As for Estonia, the Mutual evaluation reports that architects are not a regulated profession therein, while the RPD reports a different findings. The analysis is basis on the RPD (thus including Estonia among regulating countries).

Exhibit 3.6 Establishments of Architects – Selected issues



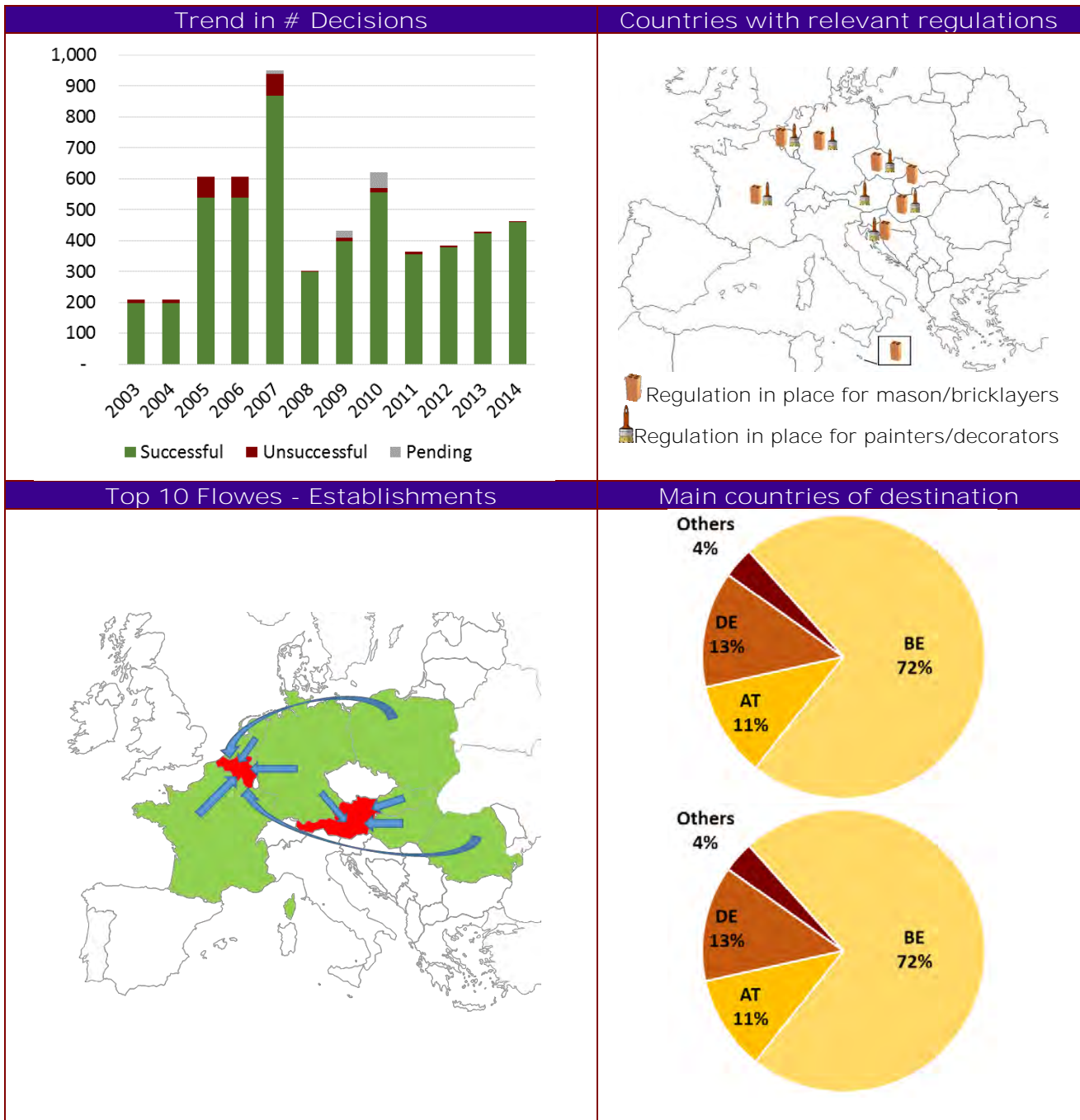
Source: RPD

Masons / Bricklayers and Painters / Decorators

Albeit pertaining to two different categories, these professions can be jointly analysed because of similar time and geographical patterns. Overall, approximately 5,600 decisions on establishments were issued for these professions, with a success rate amounting to 93%. On the contrary, the number of decisions regarding temporary mobility is negligible (i.e. a few dozens of temporary movers per year). After a peak around 2005-2007, the number of decisions stabilised at some 400 per year.

One of the most specific aspects in the mobility of masons, bricklayers, painters, and decorators is the geographical pattern of the flows. In particular, over 80% of all decisions concern mobility towards only two countries, which are relatively small in terms of both population and market, namely Austria and Belgium, with Belgium accounting for more than 70% of the total incoming craftsmen. Movements occur between neighbouring countries, as well as between new MS and Northern-Western European countries. As shown in Exhibit 3.7, these professions are regulated in 8 EU countries (but only 7 for decorators and painters).

Exhibit 3.7 Establishments of Mason, Bricklayers, Painters, and Decorators – Selected issues



Source: RPD

Civil and Building Engineers

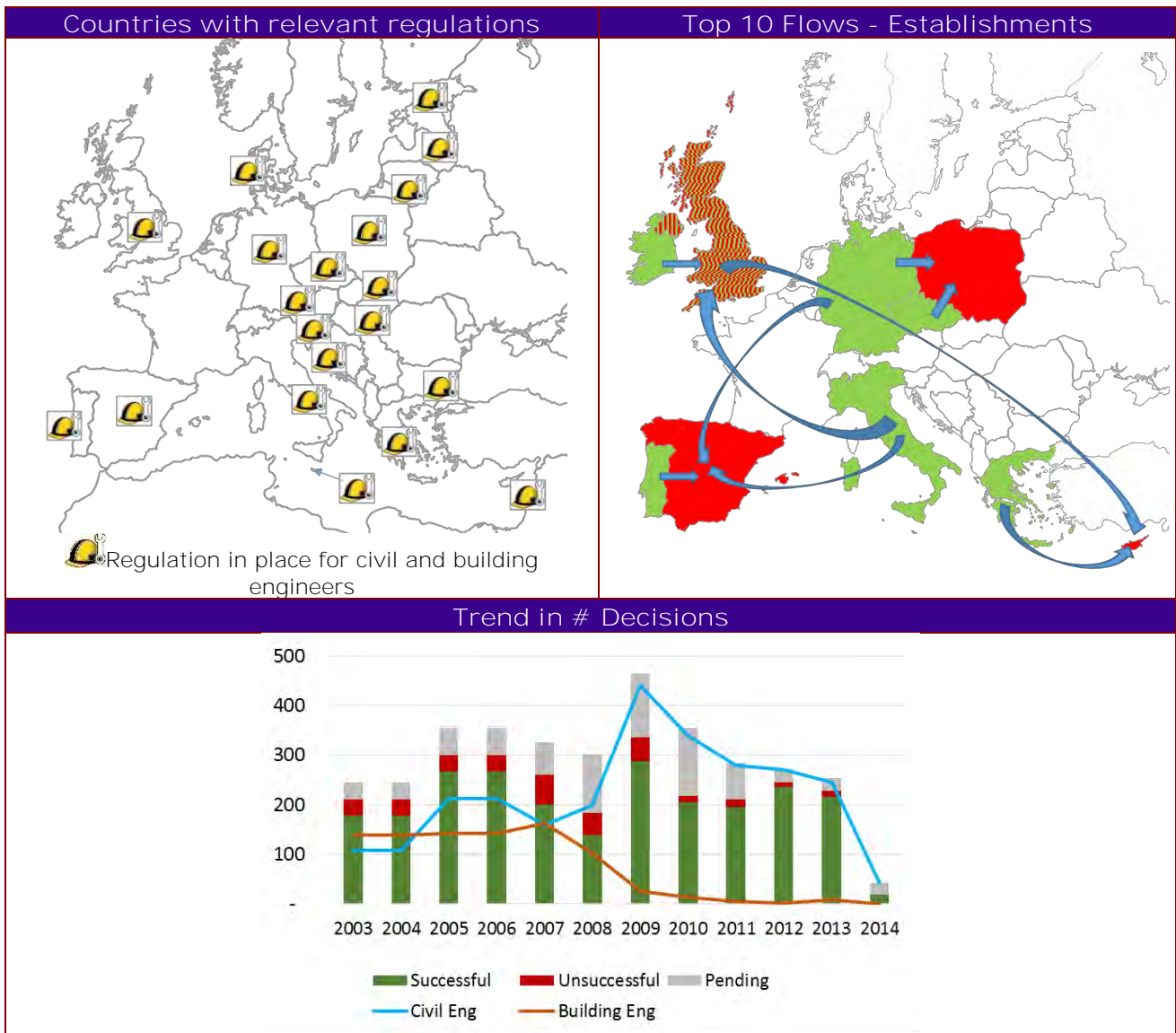
As in the case of architects, civil engineers are among the most mobile construction professions for both establishments and temporary mobility. In general, the engineering profession covers various disciplines, with the scope of activity varying across MS.¹⁰⁸ For reasons of completeness, civil engineers are analysed jointly with building engineers, which are less numerous, albeit still significant, in terms of decisions regarding establishments.

Overall, 3,500 decisions were issued between 2003-2004 and 2014, with a success rate of about

¹⁰⁸ Cf. Evaluation PQD, at §4.3.4.

68%. Notably, the share of positive decisions is significantly lower than in the case of architects, as engineers do not benefit from the automatic recognition regime. The number of decisions followed an overall decreasing trend over time, particularly as regards the movement of building engineers, which decreased from approximately 150 per year to none over the decade under review. As in the case of architects, the geographical distribution of movements is rather dispersed, with some of the main flows occurring between neighbouring countries (e.g. from Portugal to Spain, from Ireland to the UK, from the Czech Republic to Poland) or between linguistically similar countries (e.g. from Greece to Cyprus and from Italy to Spain).

Exhibit 3.8 Establishments of Civil and Building Engineers – Selected issues

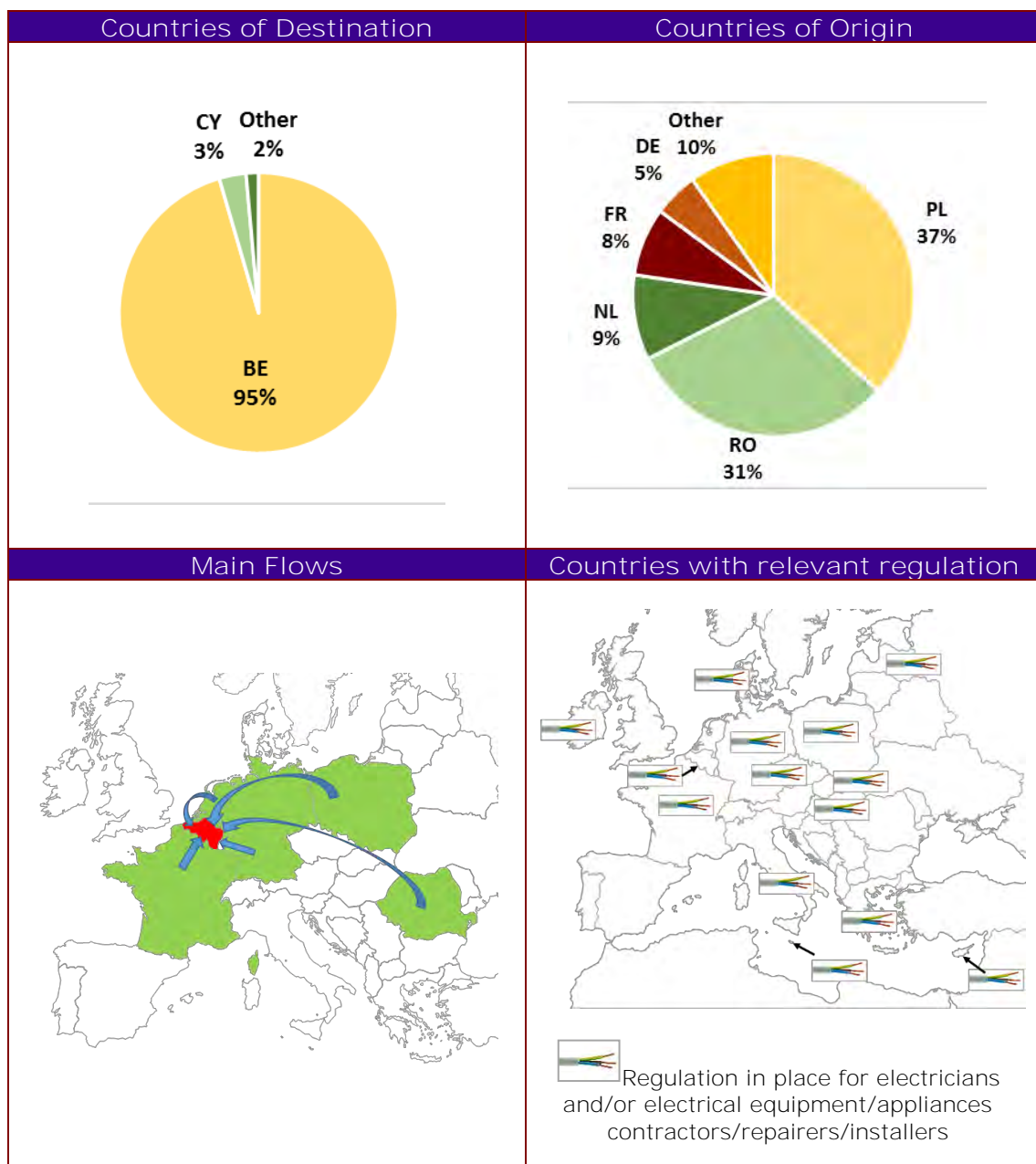


Source: RPD

*Electrical equipment/appliances contractor/repairer/installer*¹⁰⁹

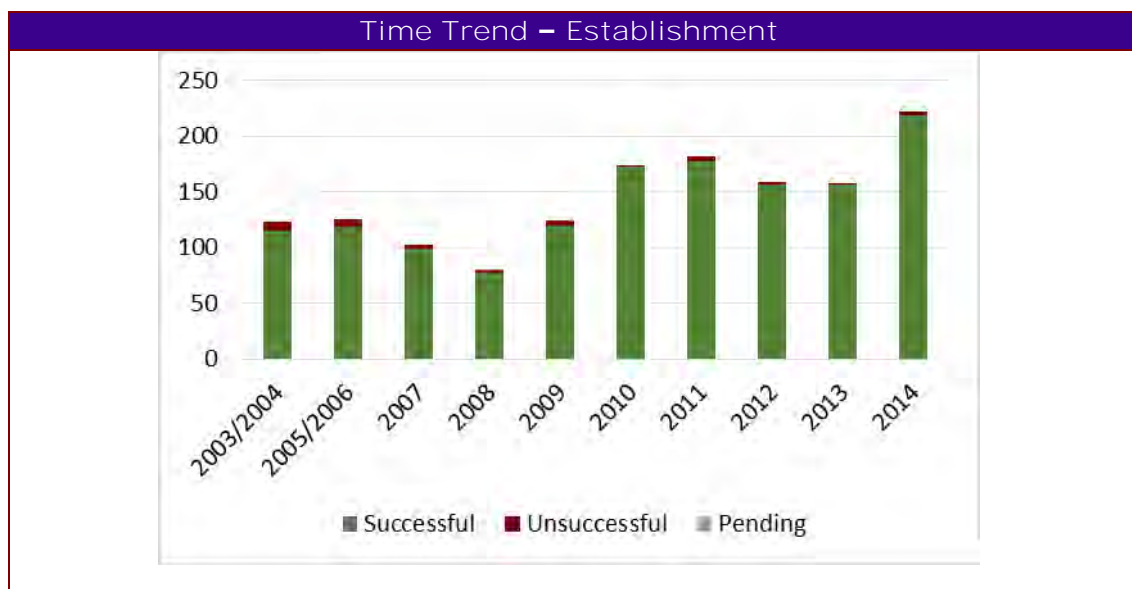
The profession is regulated in 14 EU countries.¹¹⁰ Between 2003/2004 and 2014, nearly 1,500 decisions were made regarding the establishment of EU electrical equipment installers in other EU countries. Out of the nearly 1,500 decisions, more than 95% *were successful*. The craft had a high success rate throughout the whole period. The most peculiar aspect of the mobility of electrical equipment installers across Europe concerns, however, their geographical distribution. Approximately 95% of all decisions concern movements to Belgium alone, and about 90% of the electrical equipment installers come from five European countries (see Exhibit 3.9 below).

Exhibit 3.9 Establishment of Electricians – selected issues



¹⁰⁹ Hereinafter just 'electrical equipment installers'.

¹¹⁰ Note that some countries have different regulations for electricians and electrical equipment/appliances contractors/repairers/installers. The number of regulating countries refers to either one of the two professions.



Source: RPD

3.4 Assessment of Costs and Benefits

New Business Opportunities

Based on the data from the RPD shown above in Sections 3.2 and 3.3, the new business opportunities created by the PQD for architects, engineers (including both civil and building) and craftsmen (including electricians, masons, bricklayers, painters, and decorators) are now assessed.

The methodology adopted is based on the calculation of the added value generated by professionals and craftsmen moving abroad. In particular, the Consultants attempted to highlight the *cross-border added value*, i.e. the supplementary added value generated by the professionals or craftsmen moving to another country compared to the one that they would have generated by remaining in their home MS. To do so, the differential added values per pairs of MS and per profession were calculated based on the Eurostat SBS Database. Details on the treatment of added value data are discussed below in Box 3.1.

Box 3.2 Calculation of the average added value and differential added value

Architects. For the period 2008-2013, data on the added value at factor cost and the number of persons employed are retrieved from the Eurostat SBS database for the NACE Rev. 2 class 71.11. For 2014, data are extrapolated through the minimum square method applied on 2008-2013 data. For the period 2004-2007, data are available in the NACE Rev 1.1 classification, where architecture, engineering and testing services are considered jointly. As retrieving data at a more granular level is impossible, to estimate both the value added and the number of persons employed, the share of architecture services over architecture, engineering and testing services in 2012 is calculated over NACE Rev. 2 data, assuming that the same share applies over the 2004-2007 period.¹¹¹

Engineers. For the period 2008-2013, data on the added value at factor cost and the number of persons employed are retrieved from the Eurostat SBS database for the NACE Rev. 2 class 71.12. For 2014, data are extrapolated through the minimum square method applied on 2008-2013 data. For the period 2004-2007, data are available in the NACE Rev 1.1 classification, where architecture, engineering and testing services are considered jointly. As retrieving data at a more granular level is impossible, to estimate both the value added and the number of persons employed, the share of engineering services over architecture, engineering and testing services in 2012 is calculated over NACE Rev. 2 data, assuming that the same share applies over the 2004-2007 period.¹¹²

¹¹¹ Cf. also 'Mutual recognition – Architects', at §2.

¹¹² Cf. Mutual recognition – Engineers.

Masons, bricklayers, electricians, painters, and decorators. For the period 2008-2013, data on the added value at factor costs and the number of persons employed are retrieved from the Eurostat SBS database for the NACE Rev. 2 classes 43.21, 43.34, and 43.99. For 2014, data are extrapolated through the minimum square method applied on 2008-2013 data. For the period 2004-2007, data are retrieved from the Eurostat SBS database for NACE Rev. 1.1 classes 45.25, 45.31, 45.34, and 45.44.

Differential added value. Using 2013 national data for the average added value per person employed, a 28X28 matrix is created to calculate the differential added value for each pair of EU MS,¹¹³ with the value being floored at 0.¹¹⁴ Bilateral differences are then averaged, using as weight the number of professionals/craftsmen originating from each MS (retrieved from the RPD). The number of significant MS pairs, i.e. pairs of MS between which a flow of professionals or craftsmen took place over the 2003/04 – 2014 period are the following: (i) 540 for architects; (ii) 270 for engineers; and (iii) 458 for craftsmen. Due to changes in the NACE classification, consistent data series for the added value per profession and MS cannot be retrieved. For this reason, it is assumed that the differential added value followed the same trend as the average added value, and differential added values are extrapolated based on this parameter over the 2004-2014 period.

This method enables to identify the additional productivity generated by professionals and craftsmen moving from a MS with a low average added value to a MS with a high average added value. Those flows account for most of, though not all, movements of professionals and craftsmen in the construction sector. For both architects and engineers, 60% of the movements go in this direction; for craftsmen, the share is significantly higher, that is 86% of the movements, implying that craftsmen are more likely to move for economic reasons, i.e. look for destinations where they can enjoy a higher value added. This also explains why the **differential added value (2013) for craftsmen is higher, amounting to € 22,166 per moving worker, compared to €11,626 and €14,739 for architects and engineers respectively.**

However, the above-mentioned analysis is not complete, as it does not take into account movements fostered by unemployment. When an unemployed professional or craftsman moves and works in another MS, the whole added value, and not only the differential one, is to be considered as cross-border added value. Unfortunately, data on unemployment rates per sector of activity do not exist. For this reason, the Consultants have used the average EU unemployed rate in the 28 MS, weighted by the number of professionals and craftsmen in the construction sector moving from each MS. Data series are reported in Exhibit 3.10 below. The weighed unemployment rates for craftsmen are significantly higher than for architects or professionals, signalling that MS with high unemployment rates represent the bulk of MS from which craftsmen migrate.

Exhibit 3.10 Employment rates weighed for moving professionals/craftsmen originating from each MS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Total</i>	9.3%	9.0%	8.2%	7.2%	7.0%	9.0%	9.6%	9.7%	10.5%	10.9%	10.2%
<i>Architects</i>	9.0%	8.9%	8.2%	7.2%	7.0%	8.6%	9.1%	9.1%	10.1%	10.5%	10.0%
<i>Engineers</i>	6.7%	6.4%	5.9%	5.3%	5.4%	7.4%	8.3%	8.8%	9.9%	10.2%	9.5%
<i>Craftsmen</i>	18.7%	17.6%	14.6%	11.0%	9.0%	10.8%	12.3%	12.3%	12.8%	13.3%	12.0%

Source: RPD and Eurostat

¹¹³ No data available for Croatia. For the Czech republic, data are calculated as the average of the added value for Hungary, Poland and Slovakia; for Estonia, the added value for architects refers to 2011, for engineers to 2012; for Ireland, the added value for architects refers to 2012, for engineers and craftsmen to 2011; for Malta, the added value for architects and craftsmen refers to 2010, for engineers to 2009.

¹¹⁴ Where the differential was negative, i.e. the professional or craftsman was moving from MS with a high added value to a MS with a low added value, the differential added value was considered to be 0.

In conclusion, the cross-border added value is calculated as follows:

1. The full added value generated by the share of moving professionals and craftsmen corresponding to the unemployment rate;
2. The differential added value generated by the rest of moving professionals (i.e. the complementary value of the unemployment rate).

Once the average added value per person employed is calculated for the three professions, the following assumptions are made to calculate the cross-border added value:

1. For establishment, professionals and craftsmen established abroad in each year are assumed to remain abroad for the whole period. For instance, professionals and craftsmen established in 2004 create mobility added value for 11 years, while professionals and craftsmen established in 2010 create mobility added value for 5 years;
2. For temporary mobility, professionals and craftsmen operating abroad are assumed to create mobility added value for one year.

The assumptions made may have an impact on the robustness of the results. For example, these values may be overestimated if professionals and craftsmen established abroad return to the country of origin after a certain number of years (a period shorter than the one in scope of the analysis), or if temporary mobility concerns projects shorter than one year. At the same time, the values may be underestimated if professionals and craftsmen moving abroad generate an added value above the sector average (but no evidence could be found in this respect), or if temporary mobility concerns projects longer than one year. However, given the marginal share of cross-border added value over the sectoral added value, any refinement is unlikely to generate a significant effect on total results.

The added value generated by professionals and craftsmen moving abroad is then multiplied by the number of successful establishments cumulated over the period 2004-2014 given the assumption of non-return, and the number of successful demands for temporary mobility. Results are shown in Exhibit 3.11. The impact of the mobility of professionals and craftsmen, in any case, remains low, amounting in 2014 to 0.04% of the value added for engineering services, 0.41% for the four crafts considered, and, 0.29% for architects.

Exhibit 3.11 Mobility Added Value in the period in scope of the Assignment

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Architects	Mobility Added Value (€mln)	0.08	4.15	8.16	21.95	39.83	43.49	50.20	53.23	60.57	64.57	60.35
	% over Sector Added Value	0.00%	0.02%	0.04%	0.10%	0.15%	0.19%	0.22%	0.24%	0.27%	0.29%	0.29%
Engineers	Mobility Added Value (€mln)	2.59	6.82	10.86	14.70	17.62	21.76	27.08	31.87	37.79	46.41	41.59
	% over Sector Added Value	0.00%	0.01%	0.01%	0.01%	0.02%	0.02%	0.03%	0.03%	0.03%	0.04%	0.04%
Masons, bricklayers, electricians, painters, and decorators	Mobility Added Value (€mln)	5.47	21.12	37.82	104.55	166.21	182.01	219.45	279.78	338.08	393.81	472.02
	% over Sector Added Value	0.01%	0.02%	0.03%	0.08%	0.12%	0.15%	0.18%	0.23%	0.28%	0.34%	0.41%

3.5 Administrative costs and savings of mobility

To assess the costs and cost savings of professionals moving abroad, data were retrieved from **professional bodies members of the Architects' Council of Europe through a written survey** administered via e-mail, with the support of the Council itself. As for the profession, architects were selected because they are the most mobile profession in the construction sector, and may undergo both the automatic and the general system (depending on whether the academic title is included in Annex V.7 to the PQD). Ten professional bodies replied to the survey.

The information retrieved from the various systems is the following:

1. *Automatic system.* On average, professional bodies require 3.6 documents per application (median value: 3). Of these, on average 1 document shall be presented in original, and 1.5 documents shall be translated by the applicant (in most cases, a certified or sworn translation is required). The complexity of the documents may vary, from a **copy of the applicant's ID, to a certified translation of university degrees or the proof of professional qualifications in the home MS. Fees amount on average to €103 (median value: €133), and the average lead time is estimated to be about 36 days;**
2. *General system.* On average, professional bodies require 4.1 documents per application (median value: 5). Of these, on average 1 document shall be presented in original, and 1.8 documents shall be translated by the applicant (in most cases, a certified or sworn translation is required). The complexity of the documents may vary, from a **copy of the applicant's ID, to a certified translation of university degrees or the proof of professional qualifications in the home MS. Fees amount on average to €103 (median value: €133), and the average lead time is estimated to be about 45 days;**
3. *Temporary mobility.* On average, professional bodies require 3.7 documents per application (median value: 4). Of these, on average 1 document shall be presented in original, and 1.7 documents shall be translated by the applicant (in most cases, a certified or sworn translation is required). The type of documents is similar to those required for **the establishment regimes. Fees amount on average to €20 (median value: €0).**

Based on these data, cost parameters are estimated as follows:

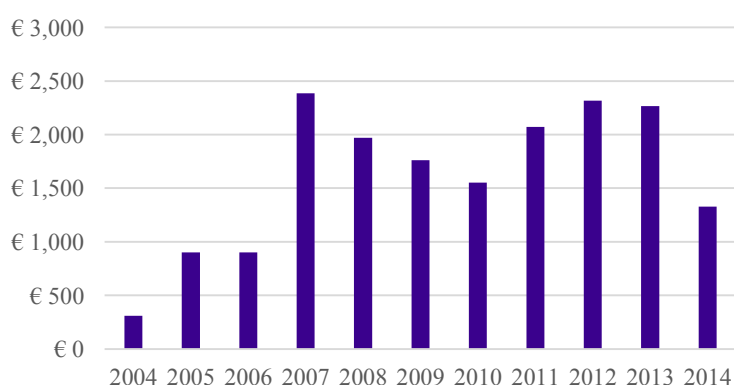
1. *Automatic system.* The familiarisation with the information obligation is estimated to require 1 person/day. The production of documents is estimated to require 2 hours per document, including retrieving the necessary data, filling in forms, and preparing the document, hence 7.2 hours in total. For translated documents, the unitary cost is **estimated at €100 (based on market values), for a total cost amounting to €150. For both original documents and certified/sworn translations, tax stamps and costs of reproduction are estimated at €100. Fees, based on average values, are estimated at €103.**
2. *General system.* The familiarisation with the information obligation is estimated to require 2 person/days, because of the higher complexity of the system. The production of documents is estimated to require 2 hours per document, including retrieving the necessary data, filling in forms, and preparing the document, hence 8.2 hours in total. **For translated documents, the unitary cost is estimated at €100 (based on market values), for a total cost amounting to €180. For both original documents and certified/sworn translations, tax stamps and costs of reproduction are estimated at €120. Fees, based on average values, are estimated at €103.**
3. *Temporary mobility.* The familiarisation with the information obligation is estimated to require 1 person/day. The production of documents is estimated to require 2 hours per document, including retrieving the necessary data, filling in forms, and preparing the document, hence 7.4 hours in total. For translated documents, the unitary cost is **estimated at €100 (based on market values), for a total cost of €170. For both original documents and certified/sworn translations, tax stamps and costs of reproduction are estimated at €100. Fees, based on average values, are estimated at €20.**

To monetize the time spent to apply, the average hourly salary inclusive of overheads of € 16.90 (source: Eurostat) is used.¹¹⁵ The costs for compensation measures or aptitude tests are not considered, because they depend on the demand itself, rather than being attributable to the PQD framework. The costs are calculated over all accepted demands, distinguishing between those applying for establishment under the general or the automatic system, and those applying for temporary mobility.

Here below in Exhibit 3.12, the administrative costs for the most significant construction professions and crafts are summarised. Estimates show that the costs over the 2004-2014 period amount approximately to € 18 mln, i.e. a fraction of the estimated cross-border mobility added value.

Exhibit 3.12 **Administrative costs linked to mobility of professionals (€ '000)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Architects	€ 5	€ 194	€ 194	€ 612	€ 611	€ 307	€ 267	€ 248	€ 269	€ 221	€ 40	€ 2,968
Engineers	€ 144	€ 217	€ 217	€ 163	€ 112	€ 242	€ 200	€ 207	€ 232	€ 279	€ 36	€ 2,047
Craftsmen	€ 162	€ 489	€ 489	€ 1,609	€ 1,249	€ 1,213	€ 1,084	€ 1,618	€ 1,814	€ 1,767	€ 1,252	€ 12,746
Total	€ 310	€ 900	€ 900	€ 2,384	€ 1,971	€ 1,762	€ 1,551	€ 2,073	€ 2,315	€ 2,266	€ 1,328	€ 17,760



Here below, the administrative cost savings linked to the introduction of the PQD are estimated. Importantly, those cost savings should not be subtracted from the costs described above, as they represent an estimate of the positive effect brought about by the consolidation of the system and the introduction of the temporary mobility regime. In simpler words, those costs are costs saved because of the simplification effect of the PQD. Cost savings are more difficult to determine than the actual costs for two reasons:

1. For the freedom of establishment, the PQD rationalised and consolidated the pre-existing groups of acts on the mobility of professional and craftsmen, also rationalizing and harmonising the existing regimes for the establishing in another MS, but not substantially altering the administrative steps and requirements, which are in any case set by national legislation, administrative practices and professional bodies.¹¹⁶ Interviewed professionals signalled that in the recent years the recognition of professional qualifications turned out to be simpler, e.g. because contact with local professional bodies are made easier, barriers which *de facto* prevented or restricted movement were removed, and, in general, local professional bodies gained experience in managing the process. In particular, professionals reported that no problem was encountered concerning the requirement to establish a permanent structure in the host country, the obligation to restructure or to change the ownership structure, the use of equivalent documentation issued in the home

¹¹⁵ This average value is considered as representative across the very diverse professions and crafts covered, also because professionals may delegate the tasks to an employee (e.g. an administrative assistant).

¹¹⁶ Cf. Evaluation PQD, at § 2.2.

MS, and the use of their own equipment. Differently, issues still persists concerning the mutual recognition of insurance requirements, and the need to duplicate procedural steps, formalities or controls already undertaken in the home MS.

2. Most of the benefits generated by the PQD concern the abatement of regulatory barriers, that is the possibility to move across the EU, rather than administrative cost savings; hence, they are subsumed within the cross-border added value estimated in Section 3.4 above.
3. On the contrary, savings concerning the temporary mobility regimes are easier to calculate, since prior to the PQD, temporary movers had to undergo the establishment procedure.¹¹⁷ However, certain stakeholders mentioned that for professions covered by the automatic recognition, the high rate of success of this procedure makes establishment even more convenient than temporary mobility.

Based on these considerations, savings parameters are estimated as follows:

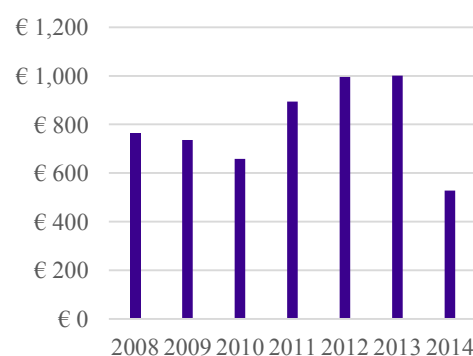
1. *Automatic system*. The professional/craftsman saves 0.5 person/days for familiarizing with the Information Obligation and 0.5 person/days in contacts with the public **administration; furthermore, he/she saves €100 of out-of-pocket costs** linked to a lower number of documents, including production of originals and certified/sworn translations;
2. *General system*. The professional/craftsman saves 1 person/days for familiarizing with the Information Obligation and 0.5 person/days in contacts with the public administration **furthermore, he/she saves €150 of out-of-pocket costs** linked to a lower number of documents, including production of originals and certified/sworn translations;
3. *Temporary Mobility*. Architects and craftsmen save the difference between the automatic system and **the temporary application, that is about €80 of out-of-pocket costs and €83 of fees. Engineers save the difference between the costs for the general system and the temporary application, that is about 1 person/days €130 of out-of-pocket costs and €83 of fees.**

To monetise working time, the average hourly salary inclusive of overheads of € 16.90 (source: Eurostat) is used.

Here below in Exhibit 3.13, administrative costs and cost savings for the most significant professions and crafts are summarised. Data are provided for the period 2008-2014, i.e. following the date of transposition of the PQD.

Exhibit 3.13 – Administrative cost savings linked to mobility of professionals (€ '000)

	2008	2009	2010	2011	2012	2013	2014	Total
Architects	€ 236	€ 117	€ 102	€ 94	€ 102	€ 85	€ 15	€ 750
Engineers	€ 49	€ 109	€ 99	€ 108	€ 116	€ 159	€ 23	€ 663
Craftsmen	€ 481	€ 510	€ 457	€ 693	€ 778	€ 756	€ 491	€ 4,166
Total	€ 765	€ 736	€ 658	€ 895	€ 996	€ 1,000	€ 529	€ 5,579



¹¹⁷ Or exercise the freedom to provide services based on the relevant Treaty articles.

3.6 Conclusions

Based on the quantification of costs and benefits described in the previous sections, the magnitude of the regulatory effects created by the PQD on the construction sector turns out to be small and unlikely to generate more than 0.5% of the sectoral added value for the categories concerned.¹¹⁸ The limited effects are mainly due to the number of construction professionals and craftsmen going abroad for permanent establishment or temporary mobility through the PQD mechanisms, which is very low compared to the size of the sector.

Interviews with stakeholders showed clearly that most operators work abroad jointly with a local partner. Operators choose so for reasons of regulatory compliance, as the local partner is much better versed with local building requirements and is already in line with qualification requirements, as well as for market reasons, because local partners have the specific knowledge of demand conditions and customer relationships. Construction professions and crafts are considered by stakeholders as mostly local activities, especially since infrastructure and civil engineering works are excluded from the scope of this Assignment. Box 3.2 below discusses the mobility of architects.

Box 3.3 Mobility of architects

Architects are the most mobile construction professions within the EU. However, in 2014, only 2.3% of architects worked or resided in a country different from the one in which they are mainly established, down from 7% in 2008. The fall, however, is not related to regulatory barriers to establish abroad, including the PQD, whose provisions for architects were largely left unchanged in this period – but to market developments.

Even considering architects who worked in whatever form – thus including cases not covered by the PQD – in another European country in the last 12 months, mobile architects only account for 5% of the sector. Only in small countries (e.g. Luxembourg, Slovenia, or Estonia), or in medium-to-small countries with larger neighbours speaking the same language (e.g. Austria, Belgium, or Ireland), the share is equal to or higher than 10%.

Source: Architects Council of Europe (2015), The Architectural Profession in Europe 2014

In the few cases in which going abroad is 'worth the buck', regulatory requirements on professional qualifications are complied with through limited efforts and do not represent a major barrier. This is confirmed by the opinions of the professionals interviewed, as a large share indicated that the regulatory simplifications are not a very important issue in the decision to operate abroad, and that the general assessment of the opportunities for cross-border mobility is positive or very positive. This consideration is largely shared by most professional associations. The situation is different for professionals and craftsmen covered by the general system, for which a more burdensome application and a lower rate of success reportedly still prevent a higher mobility. However, for certain professionals, attempts were made in the past to establish a database of professions and educational titles across MS, but the fragmented regulatory landscape, the diversified competences and the professions involved are so different across MS that the attempts did not succeed.

In a nutshell, reducing regulatory barriers in this field would make the life easier and reduce costs for professionals moving abroad; at the same time, whether a reduction would have a noticeable impact on cross-border activities is unclear. In this regard, a special case should be mentioned, that is operators living in border regions, who are more likely to provide cross-border services, and hence are more largely impacted, in terms of both costs and benefits, by

¹¹⁸ This estimate relies on the quality and comprehensiveness of data included in the RPD database. However, given the estimated limited magnitude, large variation of data quality would not generate large impacts, when compared to the total sectoral added value.

the regulatory framework, including the PQD.¹¹⁹

The situation is more nuanced for craftsmen. Albeit the numbers extracted from the RPD are as low as, if not lower than, for professionals, some national trade associations mentioned an increasing inflow of foreign workers in sub-sectors characterised by lower skills, more limited capitals, and higher work intensity (e.g. masons, plasterers, tilers, painters). These flows are not always captured by the database, not tracking craftsmen moving towards countries where a profession is not regulated or moving as employees (also of temporary agencies). At the same time, the impact of PQD on the overall work flows of craftsmen can hardly be disentangled from the impact of the SD, the Posting of Workers Directive, and irregular jobs.

¹¹⁹ Professions and craftsmen in border regions may also be covered by bilateral cross-border employment agreements between MS.

4. EFFECTS OF THE SERVICES DIRECTIVE: INTERNAL SIMPLIFICATIONS, CROSS-BORDER ACTIVITIES AND INWARD FLOWS

4.1 Introduction

In this section, the regulatory effects of the *Services Directive (SD)* are assessed.¹²⁰ As the SD aims at establishing 'general provisions facilitating the exercise of the freedom of establishment for service providers and the free movement of services', its effects fall, in the first place, on companies operating cross-border. However, the SD also has an effect on within-border operators, in terms of simplification of the regulatory framework. Furthermore, the SD also produces indirect effects on companies operating locally, due to the possible increase in competition caused by the facilitation of cross-border establishment and provision of services.

Hence, the analysis is structured over three main blocks:

- Section 4.2 presents the effects of *simplifications* introduced by the SD for construction companies;
- Section 4.3 explores the effects of the SD on *companies operating cross-border*, via both the freedom of establishment and the free movement of services;
- Section 4.4 presents the *indirect impacts of cross-border liberalisation* on construction companies operating locally.
- Section 4.5 concisely *concludes*.

Issues related to the recognition of professional qualifications and more generally with cross-border activities of professionals are dealt in section 3 above. However, professionals are also covered in section 4.2, where simplification effects on purely internal situations are discussed.¹²¹

The analysis relies on the methodology for the estimation of the effects presented in the Inception Report¹²² and on the following sources:

1. Primary information obtained through *interviews with construction companies*;
2. Primary information obtained through *interviews with trade associations, public authorities and other stakeholders*;
3. *Secondary sources*, including the Commission working paper on mutual evaluation of the SD,¹²³ the performance checks on the construction sector,¹²⁴ the recent Ecorys study on the impacts of the SD on the construction sector,¹²⁵ and the study on the cost of non-Europe and the untapped potential of the single Market¹²⁶.

4.2 The Services Directive and Internal Simplification for Construction Companies.

The SD includes provisions affecting the regulatory framework of certain service activities, including *construction services*.¹²⁷ While some articles and paragraphs solely target the cross-border service provision, *the SD also imposes certain requirements on MS which benefit local operators*. In particular, MS are required to:

¹²⁰ Cf. Section 1 above for the full list of regulatory effects.

¹²¹ Obviously, construction product manufacturers, which are not covered by the SD, are not dealt with in this Section.

¹²² Cf. Inception Report (Revised), 19 October 2015, at Section 4, in particular the sub-sections on substantive and administrative costs.

¹²³ Commission Staff Working Paper On the process of mutual evaluation of the Services Directive, accompanying document to the Communication from the Commission, Towards a better functioning Single Market for services – building on the results of the mutual evaluation process of the Services Directive, SEC(2011)102, 27.1.2011. Hereinafter, 'Mutual Evaluation'.

¹²⁴ Performance Checks, State of Play of the Internal Market in the Construction Sector, Background Note, Expert Group Meeting, 22nd March 2012. Hereinafter, 'Performance Check'.

¹²⁵ Ecorys (2015), Simplification and mutual recognition in the construction sector under the Services Directive, Final Report for DG MARKT. Hereinafter, 'Ecorys Study'.

¹²⁶ PWC and London Economics (2013), Study on 'The cost of non-Europe: the untapped potential of the European Single Market', Final Report for the European Commission. Hereinafter, 'PWC Report'.

¹²⁷ Explicitly mentioned at Recital 33.

1. examine, and where necessary, simplify procedures and formalities applicable to the access to and exercise of a service activity (art. 5);
2. create a Point of Single Contact (PSC) for providers to complete procedures and formalities needed to access or exercise their service activity (art. 6 and 7);
3. introduce e-government solutions for procedures and formalities related to the access to and exercise of a service activity (art. 8);
4. remove authorisation schemes for access to or exercise of a service activity which are discriminatory, unjustified or non-proportional. In particular, MS are required to review requirements which could be arbitrary and dispositions on the duration of authorisations. Furthermore, the SD imposes to prevent unduly complex procedures, and to charge to service providers fees which are proportional to the costs borne by the public authority, as well as to make tacit approval (**'silent is consent'**) **the rule for granting authorisations**, rather than the exception (art. 9-13);
5. remove certain requirements to which access to or exercise of a service activity may be subject, such as preliminary case-by-case economic testing or the involvement of competing operators in the procedure (art. 14);
6. assess, and remove if found discriminatory, unnecessary or non-proportional, certain requirements to which access to or exercise of a service activity may be subject, such as quantitative or territorial restrictions, legal form requirements, shareholding requirements, reserve of activities, limitation on the number of establishments in the MS territory, norms on the minimum number of employees, fixed tariffs, or service bundling requirements (art. 15);
7. allow multidisciplinary activities, except for justified cases concerning regulated professions and accreditation and testing activities (art. 25).¹²⁸

The applicability of the SD to within-border situations, i.e. to construction companies operating within their home MS, is not obvious from a legal point of view. The matter was recently discussed before the Court of Justice of the European Union (CJEU) in the joined cases C-340/14 and C-341/14.¹²⁹ The referring Court demanded the CJEU whether certain provisions of the SD could be applied in purely internal situations. The Advocate General, in his opinion, suggested the Court to answer affirmatively this question and thus declare the SD applicable even when a cross-border element is missing.¹³⁰ However, the Court did not clarify the applicability of the SD, considering that an element of cross-border service provision was present in both cases, at least potentially.¹³¹ While the remaining part of this section does not presuppose *de iure* that the SD is applicable to purely internal situations, the assessment is based on the *de facto* consideration that it would be impossible, if not for political reasons, that procedures, formalities and requirements governing access to and exercise of service activities are simplified only for **providers established in another MS, thus 'discriminating' home providers. E.g., the PSC can also be consulted, or e-government solutions, where available, can be exploited also by national operators.** Given the relatively low share of construction companies providing cross-border services,¹³² most probably the bulk of the simplification benefits due to the SD falls on purely internal operators rather than companies operating cross-border.

In addition to the application of the SD to purely internal situations, another legal conundrum concerns what regulation of construction activities falls under the SD, that is the applicability of the SD *ratione materiae*. **Recital 9 of the SD states that '[t]his Directive applies only to requirements which affect the access to, or the exercise of, a service activity. Therefore, it does not apply to requirements, such as road traffic rules, rules concerning the development or use of land, town and country planning, building [...] which do not specifically regulate or specifically**

¹²⁸ Other SD simplifications are relevant for local operators, such as the generalization of alternative dispute resolution systems. However, in both primary and secondary sources, the Consultants could find no evidence of such issues being relevant for construction companies.

¹²⁹ Joined cases C-340/14 and C-341/14, R. L. Trijber v College van burgemeester en wethouders van Amsterdam and J. Harmsen v Burgemeester van Amsterdam.

¹³⁰ Joined Cases C-340/14 and C-341/14, Opinion of the Advocate General Maciej Szpunar, at §44 et ff.

¹³¹ Joined Cases C-340/14 and C-341/14, Judgment of the Court, at §40-42.

¹³² Discussed below in Section 5.3.

affect the service activity but have to be respected by providers in the course of carrying out **their economic activity in the same way as by individuals acting in their private capacity.** Product regulation, that is the regulation of the characteristics of a building, would also fall outside its scope. While a grey area remains, because building regulations largely impact both the service activity and the product delivered, the SD is generally assumed to apply to all rules affecting construction companies in their operations before building completion (e.g. building permits), but not to rules affecting buildings once completed, and zoning and planning requirements, as excluded by Recital 9.

In several MS, *the SD was considered as generating a positive effect in terms of simplification. One stakeholder association commented that 'the SD had positive effects at national level, e.g. for the simplification of certain legal requirements applicable to the construction activity'.* In Italy, several procedures for the construction sector were simplified following the implementation of the SD, including the exclusion of certain construction activities from permit schemes, the introduction of lighter procedures for building permits, the substitution of ex ante with ex post checks, the introduction of e-government procedures, the approval of a **nation-wide building code, and the extension of the 'silent is consent' rule. The Mutual Evaluation exercise lists other simplifications relevant to construction operators, such as the abolition of requirements on the minimum number of employees for certain construction services in Spain.**¹³³

Little evidences could be found concerning the simplification of general authorisation schemes regulating market access for construction companies. These general authorisations do not seem to be imposed in all MS. The Ecorys study could find only 6 countries in which general authorisation schemes for construction operators are in force (out of the 14 MS covered¹³⁴), and some of them (e.g. in Denmark) only apply to specific market segments.¹³⁵ Simplifications of these general authorisations under the Services Directive has been minimal or, in most Member States, non-existent.¹³⁶ Simplifications of general schemes applicable to specific construction sector segments were reported in the context of the Mutual Evaluation exercise, e.g. in Spain for lifting equipment.¹³⁷

Though simplifications of the regulatory framework for the exercise of the construction activities were clearly introduced following the implementation of the SD, it is clear that they are limited to a small number of MS. And even in relation to those, two key questions remain to be answered. First, to what extent these simplifications can be causally attributed to the SD. Secondly, to what extent these simplifications benefited stakeholders. The two questions are linked, as the attribution of benefits enables to identify the share of benefits of EU origin. However, as it will become apparent below, no quantification is possible; still, the Consultants considered appropriate to report the evidence concerning the causal role of the SD.

The stakeholders' opinions on the attribution of simplifications to the SD were non-conclusive. Certain governments insisted that specific simplifications were adopted because of the overall revision of service regulations triggered by the SD. Other governments mentioned that the simplification of the regulatory framework for construction companies was largely unrelated to the SD, whose role is considerably more relevant in other sectors. For example, one stakeholder association noted that in its country a new building regulation entered into force in 2014, creating a more robust building permit system, largely paperless. Though having a positive view of both the general working of the system and the reform, the latter was claimed not to be related to the implementation of the SD. In France, several simplifications of the building and housing code were introduced from 2008 onwards through various laws aimed at reforming

¹³³ Cf. Mutual Evaluation, at p.77.

¹³⁴ General authorisations were found in Bulgaria, Denmark, Greece, Italy, Portugal and Spain, and not in Poland, France, Slovenia, Czech Republic, Germany, Finland, Netherlands and United Kingdom.

¹³⁵ In Belgium, small and micro enterprises with less than 50 employees active in the construction sector have to apply for a general authorization. Cf. Performance Check of the Construction Sector, at p.4. Cf. Ecorys Study, at p. 30.

¹³⁶ Cf. Ecorys Study, at p. 18

¹³⁷ Cf. Mutual Evaluation, at p.77.

economic regulation,¹³⁸ hence also before the implementation of the SD. Other stakeholders associations, also e.g. in Italy, claimed that, though introduced, simplifications could not be attributed to the SD. The Consultants could hardly retrieve any hard evidence concerning attribution, e.g. the mentioning of the SD in the recitals of preparatory documents of national legislation. The attribution is made more complex by the fact that the final beneficiaries of simplifications, i.e. construction companies, barely heard of the SD at all.

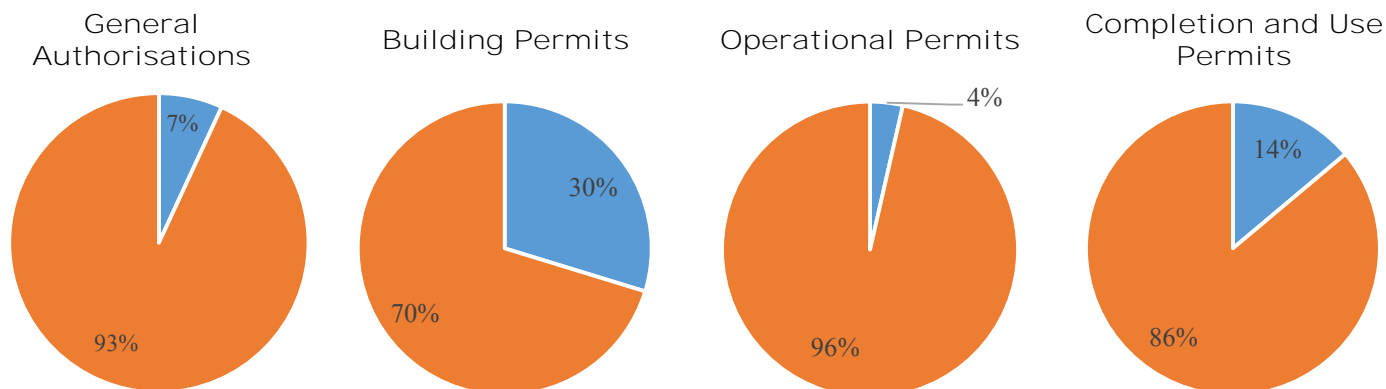
Irrespective of the attribution being clear or not, *final beneficiaries, i.e. construction companies, noticed hardly any improvement from a simpler regulatory environment given the limited number of MS which implemented the Services Directive in relation to construction service provision and, in those MS that did so, in view of the limited scope of implementation*, as opposed to a fully-fledged implementation of the Directive's rules and principles for all rules impacting construction service provision. In the few cases when their answers were positive about a (partial) improvement, beneficiaries could not provide any quantitative estimate. Through the interviews, construction companies, installers, and professionals were surveyed on whether the simplifications of administrative procedures introduced after the implementation of the SD in their country led to an improvement for their business. Exhibit 4.1 below shows the answers for four types of authorisations: (i) general authorisation schemes; (ii) building permits; (iii) operational permits required for certain activities during construction works; and (iv) completion and use permits.¹³⁹ *Over the four types of authorisation, the perception of improvements for construction business activities is limited*. The most optimistic view concerns the simplification of building permits, which was perceived as leading to an improvement by 30% of the surveyed construction companies, installers and professionals. Very limited simplifications were perceived concerning general authorisations schemes and operational permits.¹⁴⁰

¹³⁸ Cf. *i.a.* *Loi n° 2008-776 du 4 août 2008 de modernisation de l'économie* (Law for modernising the economy) and *Loi no 2015-990 du 6 août 2015 pour la croissance, l'activité et l'égalité des chances économiques* (Law for growth, economic activities, and equality of economic opportunities).

¹³⁹ General authorisation schemes include authorisations or registrations required from construction operators to legally enter and/or operate in the market, not referring to actual construction activities taking place on the ground; building permits include ex-ante procedures through which the construction operator or the professional or the developer/owner demands from or communicates to a public authority the possibility to carry out certain construction activities, including, but not limited to, new buildings; operational permits include procedures through which a construction operator demands from or communicates to a public authority the possibility to carry out certain activities in the course of the construction work (e.g. scaffolding); completion and use permits include all procedures and checks that are carried out on a completed (or close to completion) building and/or in case of other completed (or close to completion) construction works, so that the building or other construction work can be deemed legally completed and/or can be used for residential and non-residential purposes.

¹⁴⁰ Data on building permits and use permits were retrieved from construction companies, installers, and professionals. Data on general authorisations and operational permits were retrieved from construction companies and installers. Respondents were preliminary screened on whether they had experience with each type of authorization after the implementation of the SD. Number of respondents is as follows: 31 for general authorisations; 38 for building permits; 29 for operational permits; 32 for completion and use permits.

Exhibit 4.1 Perception of improvements over four types of authorisations by construction companies



Notes: in red, no improvement; in blue, some improvement.

Specific reasons were identified by stakeholders as possible causes for limited improvements on the ground. Two reasons concern the legal and institutional framework, and in particular the role of local authorities and the fact that the SD was implemented through norms of principle in many MS. Three reasons concern the economics and incentive of construction activities, including the cost of familiarisation with simplified procedures, the role of public authorities in ensuring legal certainty, and the overall impact of simplifications on the cost and time for construction works. The above-mentioned reasons are explored in greater detail below:

1. Legal principles vs. specific regulation. First and more importantly, in most MS the SD has been implemented by means of horizontal legislation only, thus via legal principles valid for the whole services economy,¹⁴¹ which have not always translated into detailed procedural norms to be followed by public offices in charge of specific economic activities. This is particularly the case for construction services.¹⁴² Especially in civil law countries, where public authorities, including local ones, are not used or even allowed to apply new principles, in derogation of pre-existent detailed norms, this has limited the impact of the Services Directive to those MS which have implemented it specifically to the construction sector, and then again limited to the extent of such (partial) implementation.
2. Role of local authorities. The simplifications mentioned above largely concern the national legal frameworks. However, in several MS, regional authorities also have legislative competences over building procedures and technical regulations;¹⁴³ furthermore, local authorities are called upon to administer most of the building procedures.¹⁴⁴ Certain stakeholders claimed that local authorities lack '**expertise, knowhow and means**' to implement the simplifications introduced. Besides, the regulatory playing field is reportedly uneven, with only a share of local authorities in the same MS administering simplified procedures. For instance, where the provision to set up a local one-stop-shop was introduced at national level, only a minority of municipalities did so.
3. Legal certainty and cost of familiarisation. Even when a simplification cuts time and costs for regulatory procedures, companies may prefer to rely on established formalities rather than attempting, for the first time, a new and simplified version. In economic terms, the expected savings should be at least as high as the costs for familiarisation with the new procedure and the uncertainty effect should be sufficiently low. This

¹⁴¹ *Ibid.* at p. 74.

¹⁴² Cf. Ecorys Study at p. 4-19

¹⁴³ E.g. Germany, Spain, Italy, and the UK (Ecorys study, at p. 69).

¹⁴⁴ All MS covered in depth by this Study for which Ecorys data are available delegate building permit procedures to local authorities. Cf. Ecorys study, at p. 89.

consideration also implies that simplifications are taken up only progressively and after a certain period of familiarisation and trust building.

4. Legal certainty and liability. In several cases, simplifications concerned the abolition of the (express) consent to a construction work granted by a local authority. For instance, in several MS an authorisation is no longer necessary for small works, and a professional can declare that the work complies with local requirements without a public approval. This creates two possible problems: (i) the responsibility for declaring that a work complies with the applicable rules is shifted from the public authority to the professional, **which in turn may prefer to obtain a 'rubber-stamp' by a public body even though more costly in terms of time and fees rather than bear the liability;** (ii) reportedly, as the building regulatory environment is very complex (also due to the role of legal principles vs. specific regulation), with various layers of overlapping local and national norms, relying on the express act of a public authority, ensuring a higher degree of legal certainty on the lawfulness of construction works, may be preferable.
5. Share of regulatory costs over the total costs and time of construction works. Depending on the size of the project, and especially, but not only, in the case of new buildings, construction works usually require a long time for completion and substantial funding. Put in this perspective, both companies and clients may have a limited interest in reducing the lead time due to authorisations by **few days or in saving a few hundred €** in administrative fees. As already discussed above, for construction works, the legal certainty and a proper allocation of liability for certifying compliance with building regulations may be worth more than savings from simplification.

The PWC report on the untapped potential of the EU Single Market shows that excessive/restrictive regulation is the most prominent obstacle to the development of the construction of buildings market.¹⁴⁵ During the interviews, respondents often complained about the complexity of the regulatory framework governing construction activities. It seems, however, they fail to see the Services Directive as a potential driver for simplification already at their disposal.

The limited perception of the benefits brought about by the simplification of the regulatory environment for construction companies is further confirmed by the fact that *firms were almost unable to provide any quantitative estimate*. A Belgian company signalled that obtaining a construction permit is now much simpler, though local differences still persist. Another Belgian operator claimed that now all building permits in the Wallonia region could consistently be granted in 60 days. Two companies in Italy mentioned that the introduction of lighter procedures for building permits for certain construction works reduced the lead time. Another Italian **company mentioned that thanks to the 'silent is consent' rule, obtaining a use permit for residential buildings is now much less burdensome and can take place immediately following the building completion. Similar considerations on the reduction of the lead time and the application of the 'silent is consent' rule to the building permit procedure were made by a French craftsman. A German company also appreciated the application of the 'silent is consent' rule in relation to the use permit for residential houses, pointing out in particular a reduction of fees and out-of-pocket costs ranging from 15% to 20% and a reduction of lead time of 20%. Two UK construction operators, including one professional, praised the possibility of issuing a notice of construction works through electronic means, resulting in a reduction of the procedural steps and days needed to complete the procedure.**

In conclusion, the limited perception by construction operators of regulatory simplifications, and the almost complete lack of quantitative parameters concerning the size of these benefits, prevent any realistic quantification of regulatory benefits linked to the purely internal effects of the SD.

¹⁴⁵ PWC study, at p. 372.

4.3 The Services Directive and Cross-Border Operations

The first and foremost aim of the SD is to *reduce barriers to cross-border mobility of service providers, including construction operators*, with regard to both the establishment in another MS and the cross-border provision of service. The reduction of these obstacles is expected to generate new business opportunities for companies. In addition to the simplifications applicable to both local and cross-border activities, discussed above in section 4.2, the SD includes the following specific provisions relating to norms specifically targeted at the freedom of establishment and cross-border activities:

1. the simplification of administrative procedures for all cross-border situations, resulting in simple form documents, acceptance of equivalent documents and tacit approval (art. 5 and 13);
2. the elimination of a large group of requirements and formalities concerning the cross-border provision of services on an occasional basis, including the elimination of the requirement of the establishment (article 16). These requirements may remain in place if found non-discriminatory, necessary and proportional; necessity is defined as justified for reasons of public policy, public security, public health, or the protection of the environment;
3. the elimination of the need to hire local staff when operating in another MS (art. 15(2)(f) and 16(2)(d));
4. the elimination of the need to proceed with corporate restructuring to meet entry requirements in another MS (art. 15(2)(b) and (c) and 25);
5. the disapplication of local rules on equipment and materials (art. 16(2)(f)) and of many other host MS requirements (art. 16);
6. the elimination of the need to acquire local insurance coverage when operating in another MS, provided that the provider already has an equivalent coverage in its home MS (art. 23);

The first step to measure the benefits of the SD in reducing cross-border barriers would be an *estimation of how many construction companies operate in another MS*. However, these data are scarce, from either secondary sources¹⁴⁶ or stakeholder associations and governments. During the interviews, associations and public authorities were asked for additional data or estimates, but no information could be retrieved. Box 4.1 below summarizes the information retrieved from Italian stakeholders, providing some hints, though partial and broader than the scope of the present Study, at least for Italy.

¹⁴⁶ A recent Commission document provides information on the relative Internal Market openness of several services sector, including construction. This is based on cross-border trade intensity (the average of intra-EU imports and exports over the total turnover of the sector); and intensity of secondary establishment (the share of value added generated by intra-EU foreign affiliates over total value added). Evidence shows that the construction sector is the least open among those covered by the analysis. Cf. Commission Staff Working Document, A Single Market Strategy for Europe - Analysis and Evidence, Accompanying the document **'Upgrading the Single Market: more opportunities for people and business Brussels'**, 28.10.2015, SWD(2015)202. Cf. also Commission Staff Working Document, European Competitiveness Report 2014 **'Helping Firms Grow'**, SWD(2014)277.

Box 4.1 Cross-border activities of Italian construction companies

ANCE, the Italian construction federation, publishes a yearly report¹⁴⁷ on the activities of 38 large Italian construction companies¹⁴⁸ abroad, covering both construction of buildings and civil engineering. In 2014, **Italian companies had a cumulated portfolio of 682 works abroad, worth about €73 bln. 11% of this value** is generated in other EU MS,¹⁴⁹ and this share is growing, as the EU represented more than a quarter of new works obtained in 2014. However, only 6.6% of the cumulated portfolio concerns building works, the rest being attributable to civil engineering. Disentangling the share of building works in the EU from the total share of construction works in the EU is impossible.

The Italian commission of construction social security institutions (*Commissione nazionale paritetica per le Casse Edili*) collects data on Italian companies going abroad and posting workers from Italy, which can be used as a proxy for Italian companies providing cross-border services, though only concerning a subset of these companies. These data cover three countries, that are Austria, Germany, and France, with which bilateral agreements between social security institutions were signed. Even though distinguishing between various types of construction works is impossible, over 5 years (2010-2014), 32 Italian companies operated and posted workers in Austria, 69 in France, and 183 in Germany. Considering that both Austria and France are neighbouring countries, and are thus likely to be among the most frequent MS of destination, these data confirm that foreign operations by Italian building companies are quite limited.

Though estimates of foreign activities could not be provided, all stakeholders agreed on one consideration: *cross-border operations by construction firms are currently very limited*, for structural reasons. The PWC report identifies four main reasons why the mobility of construction companies is limited:

1. The limited radius of activity of micro and small companies (representing the majority of firms in the sector), due to the high costs of transport of both workers and construction materials, with one stakeholder estimating this radius at about 50 to 60 km. The limited mobility of construction companies implies that cross-border activities may be relevant mostly in border regions, as confirmed by stakeholders ('[the] *cross-border provision of services on an occasional basis is a major issue only for companies in border areas*');
2. The high labour intensity, making it difficult to move a large labour force over a long distance;
3. The complexity of the supply chain, as construction activities require multiple competences and professional figures, which are usually not available within a single company, especially if micro or small. As a result, construction companies rely on an established network of trusted counterparts, which can hardly be moved or replicated in distant geographical locations;
4. Knowledge of the local market, including both local building customs and demand features, as well as local building regulation.¹⁵⁰

All in all, in the PWC report *cross-border activities are considered the least important driver of competitiveness by construction companies*.¹⁵¹

However, the PWC report also states that: "[t]he case of the construction sector is not one of regulatory barriers in certain Member States inhibiting cross-border activity but rather each **Member State's plethora of regulations deterring market entry by non-domestic firms**."¹⁵² This is even a more significant barrier for foreign construction service providers intending to enter the market. Several studies (although mostly related to professional services) have shown that: (i) heterogeneity of regulation across the EU is harmful for cross-border activities, and (ii)

¹⁴⁷ ANCE (2015), Rapporto 2015 sulla presenza delle imprese di costruzione italiane nel mondo.

¹⁴⁸ These companies are considered representative of most of the foreign revenues generated abroad by Italian construction companies.

¹⁴⁹ Austria, Belgium, Bulgaria, Croatia, Denmark, France, Greece, Malta, Poland, Romania, Slovak Republic, and Sweden.

¹⁵⁰ PWC Report, at p. 336.

¹⁵¹ Out of a list of 10 possible drivers. *Ibid.* at p. 371.

¹⁵² PWC Report, at p. 340.

domestic regulation often has a *de facto* discriminatory effect on foreign service providers.

In any case, some of the drivers for the limited mobility of construction companies (e.g. limited radius of activities and knowledge of local markets) are mostly related to mobile entry modes. *These obstacles can (at least partially) be overcome by entering the market in a more permanent way* (e.g. through a branch set up for long-term local business development in the host market). For this reason, some studies have shown that construction companies going abroad prefer a permanent establishment when the host market is unfamiliar, risky, with intense competition or with entry restrictions.¹⁵³

Stakeholders largely confirmed these findings and analysis, with respect to both the limited foreign activities of construction companies, especially SME, and the reasons explaining this phenomenon. Several stakeholders mentioned that, for the building market, companies have an incentive to go abroad only for large works, both public (e.g. hospitals) or private (e.g. large industrial plants). This *per se* reduces feasible business opportunities for SME, which are less likely to access these market segments, at least as main contractors. In particular, a stakeholder association reported that the main barrier for a SME to go abroad is the **'lack of capacity in offering "all-inclusive" building services to foreign customers'**. Furthermore, as suggested by one stakeholder, an SME not only lacks the capacity to handle very large projects, but also **'sufficient financial means and [the] human resources necessary to operate abroad'**, even as sub-contractor. One exception are SME with expertise in specialised construction services operating in niche markets, which are more likely to have a multi-country scope of activities.¹⁵⁴

Hence, in the current stage of deficient and sometimes inexistent implementation of the Services Directive for construction service provision, all evidence points to the fact that most of foreign construction services are provided by large companies, which, because of their dimensions, are the least impacted by regulatory costs. Several stakeholders concurred that these companies have the structure and expertise to deal with persistent regulatory barriers, and that operations **abroad are 'a permanent part of their business strategy'**. In other words, the incentives provided by large building projects abroad and the fact that a company is well positioned to access foreign markets reduce the impact of any regulatory obstacle even if often contrary to internal market legislation.

Importantly, as indicated, construction companies consider *regulatory barriers are less important in preventing activities abroad than other structural drivers* mentioned above. One national stakeholder association commented that **'the main reason [for not operating abroad] remains the need to adapt to local building customs, linguistic barriers, cultural barriers, and business practices'**. One stakeholder association even reported that regulatory costs for construction companies may be lower in other EU MS than in the home market, without this being a sufficient incentive for going abroad. When confronted with the hypothetical question about whether lower regulatory barriers would spur an increase in cross-border activities, most of the interviewees signalled that this is unlikely, at least in non-border regions or in non-specialised market segments. . Also, and importantly, a number of avenues exist for tackling regulatory barriers or reducing their possible negative impact. The most used consists in teaming up with local partners, which are knowledgeable of the local regulatory environment, and can thus drastically reduce the costs of familiarisation; also, local partners are already licensed to operate in the host MS (e.g. in case of professionals or craftsmen in regulated segments). Another strategy that was mentioned consists in acquiring local companies, so that the firm intending to operate abroad can incorporate local expertise and avoid the need to proceed with secondary establishments or via occasional a cross-border service provision. However, these strategies have direct (shared profits, acquisition costs) and indirect costs (such as lost market visibility), which deter cross-border activity and limit it to those larger projects, as often

¹⁵³ Chuan C. (2008), Entry mode selection for international construction markets: the influence of host country related factors, Construction Management and Economics, Vol. 26, No. 3.

¹⁵⁴ Examples provided by various stakeholders concerned SME operating in the segments of construction of wooden houses, construction of top-of-the-league energy efficient buildings, and energy renovations of social houses.

mentioned by construction companies, which in turn are only accessible to larger companies.

A limited number of complaints on the functioning of the SD, and more in general of the Internal Market for construction services, at least for companies already benefiting from it, is another reason why regulatory barriers are not perceived as a main obstacle for cross-border activities. This is the case again given the limited knowledge of internal market legislation, particularly by SME, and also due to the fact that larger companies have the means to deal with most regulatory obstacles, irrespective of their legality under internal market legislation, once the most restrictive ones have been scrapped. One stakeholder association commented that '[the] freedom of establishment is not an issue, though few problems remain concerning the cross-border provision of services'. Another one commented that the SD 'had a positive effect for cross-border companies: though the Single Market is far from being perfect and implementation is uneven, the most blatant requirements were indeed scrapped' from national legislations. 'Large contractors that intend to work abroad,' – it was added – 'can do so, without major issues, a part from some specific bilateral problems'. In a nutshell, large construction companies are used to work in a fragmented market, remaining so across several fault lines including regulatory barriers. A national association praised the Commission's efforts to tackle certain regulatory obstacles, as detailed in the 2015 Communication on upgrading the Single Market.¹⁵⁵ Specifically, the initiatives targeted at easing the identification and provision of information by construction companies (including the 'services passport')¹⁵⁶ and at improving the effectiveness of the SD by reforming the notification procedures were considered as being potentially the most impactful. In addition to that, respondents mentioned that not all problems are linked to, and can thus be solved through, the SD: other pieces of legislation on social security, and the free movement of goods and professionals are relevant as well.¹⁵⁷ Concerning the PSC, one association stated that 'it is useful for secondary establishment, though much less for temporary provision', but again due to implementation gaps, because the national PSC are largely not suited to provide information on local building regulations and act as liaison point with the local authorities involved.

Concerning other paperwork duties, the SD requires MS to accept attestations and documents that a company obtained in the home MS, without asking for additional equivalent certifications and verifications. However, the empirical findings suggest that that this acceptance rule is not implemented in some MS. Also, mutual recognition is not working to its full extent in the construction sector, for various reasons. The Ecorys report found e.g. a lack of specific recognition principles and established procedures concerning the use of equipment for building works, and that the mutual recognition of insurance coverage is hampered because of both factual and procedural reasons (as discussed more in detail here below).¹⁵⁸ With regard to the lack of specific procedure: in most MS, at least where the SD was transposed by means of a horizontal act, the mutual recognition principle is included, but no specific procedures are set out to apply it.¹⁵⁹ When called to implement the mutual recognition principle, public authorities, especially at local level, usually lack established procedures to that end. As a result, this provision is only limitedly resorted to. In addition to that, mutual recognition is hampered by the fact that only few MS adopt performance-based standards, as opposed to specific rules.¹⁶⁰

¹⁵⁵ Communication from the Commission, Upgrading the Single Market: more opportunities for people and business, COM(2015)550, 28.10.2015.

¹⁵⁶ *Ibid.* at §2.3.

¹⁵⁷ Further than the PQD, two acts were mentioned: (i) Regulation (EC) No 883/2004 of the European Parliament and of the Council on the coordination of social security systems; and (ii) Regulation (EC) No 764/2008 of the European Parliament and of the Council laying down procedures relating to the application of certain national technical rules to products lawfully marketed in another Member State and repealing Decision No 3052/95/EC.

¹⁵⁸ Ecorys study, at p. 74.

¹⁵⁹ *Ibid.* at p.79.

¹⁶⁰ *Ibid.* at p. 72.

Insurance requirements. A specific effort was made to identify the effects of insurance requirements on cross-border activities on construction operators. To this purpose, two national insurance federations were also interviewed. The applicable legal framework is as follows. Art. 23 of the SD allows MS to require the subscription of a professional liability insurance or the provision of a financial guarantee from services carrying out activities presenting a risk to health, safety or financial security of recipients. The same article, though, requires that, when a provider establishes itself in its territory, the MS shall accept an equivalent or essentially comparable insurance coverage already subscribed by that provider in its home MS. In particular, insurance or guarantees issued by another MS finance institution or insurance company shall be accepted, as long as equivalent or essentially comparable.¹⁶¹

Insurance requirements may indeed create barriers to the free movement of service providers, in case of activities presenting health, safety or financial security risks. This is the case for example for medical professions, tax advisors, lawyers, and construction operators. With respect to the latter, the problems in the mutual recognition of insurance requirements have various roots, linked both to the regulatory framework and the functioning of the insurance market:

1. *National regulatory frameworks on insurance requirements are extremely different* from country to country, and no EU piece of legislation harmonises the professional liability for construction operators. Firstly, national frameworks vary with respect to the operators to which an insurance is mandated, i.e. construction companies, construction professionals, both, or neither of them. Secondly, national frameworks vary to an even greater extent with regard to the duration, the risks to be insured, the choice between joint and several liabilities, and the coverage of post-completion building defects.¹⁶² As a result, assessing whether an insurance issued in country A can be **considered as 'equivalent or essentially comparable'** in light of the requirements of country B is very difficult.
2. *The professional liability insurance is a complex product*, and the coverage granted to the insured company may vary over a large number of parameters, such as the type of insured risk, the insured sums, the ceilings, the deductibles, the coverage of accessory costs, and the exclusions. Consequently, assessing whether each insurance coverage **subscribed by a foreign construction operator is 'equivalent or essentially comparable'** given the requirements of the host MS is even more difficult. Furthermore, topping-up an existing coverage so that it complies with the host country requirements can be extremely complex, because basic products may present features preventing such addition.¹⁶³
3. Finally, *insurance markets tend to exclude the coverage of idiosyncratic risks*, i.e. those risks for which an insurer cannot estimate ex ante the statistical (actuarial) distribution of probability of adverse events. This may be the case, for example, if a cross-border service provider asks to its own insurance company to cover risks determined by a foreign regulatory framework, which the insurer does not know; or if a foreign cross-border provider tries to buy a coverage from a host MS insurance company, which does not know the provider. In both cases, distribution risks cannot be estimated and the cross-border service provider may not be able to buy a coverage.

Broadly speaking, insurance requirements are still considered a barrier by stakeholder associations, and some of the interviewees reported that they could not rely on their own insurance coverage when going abroad. However, *stakeholders concurred that problems*

¹⁶¹ Art. 23 SD. Cf. also art 14(7). See Commission Staff Working Document, Access to insurance for services provided in another Member State, SWD(2014)130.

¹⁶² For an overview of national practices, Cf. the ELIOS project (2010), liability and insurance regimes in the construction sector: national schemes and guidelines to stimulate innovation and sustainability, Special report on liability and insurance regimes in 27 EU Member States.

¹⁶³ Cf. Expert Group on European Insurance Contract Law (2013), Discussion Paper 5: Liability Insurance, Meeting of 9-10 September.

are less significant than a few years ago. In particular, reference were made to the fact that companies intending to operate in France found it very difficult to buy a coverage for the *garantie décennale* required from contractors. A market-based solution was eventually identified, and perceived as a working solution. Currently, in French neighbouring countries, stakeholders report that the purchase of such a coverage is possible, though problems can still exist concerning the insurance costs, which may not be worth to be incurred for small projects or for works with a short duration. Before 2010, buying an insurance coverage for the French *garantie décennale* was difficult, or even impossible, for foreign construction operators. In 2010, the French federation of insurance companies set up a point of contact for foreign companies, providing information about insurance requirements and a guide on how to obtain a coverage.¹⁶⁴ At the same time, agreements were signed between French and other EU insurance companies to ensure the flow of information about insured subjects and risks, and thus to sell, or have sold by a partner company, the coverage requested.

In a nutshell, today a construction company intending to operate in France has three possibilities:

1. If its own insurance company sells the coverage for the *garantie décennale*, the contractor can adapt its existing insurance contract. This service is available only through specialised insurance providers, such as VHV in Germany, offering a coverage for the *garantie décennale* to its German subscribers;
2. If its insurance company is part of a multinational group or one of the agreements **mentioned above, the contractor can be redirected to its company's French counterpart** and negotiate the purchase of the coverage. This case is also relevant to contractors wishing to operate in any other MS: to top-up or purchase a coverage in compliance with the host country legislation, a contractor may contact its own insurance company, which can redirect the client to an international partner, e.g. within the same insurance group or its network;
3. If neither of these situations applies, the contractor may look for a French insurance **broker, and may be supported by the federation's point of contact in doing so.**

In any case, the fact remains that, also in relation to insurance, implementation of the SD by MS is virtually non-existent and construction companies are forced to resort to costly alternatives which reduce the number of cross-border activities, limiting it to larger companies which can bear the costs of such alternative solutions.

Insurance federations were also surveyed concerning the number of cross-border coverage provided obtain additional data to measure international flows. Data for two insurance companies were provided, and the number of contracts with foreign contractors entering the French market amounts approximately to a few hundreds per year.

Interviews with companies. As mentioned above in Section 4.1, efforts were made to include construction companies with cross-border experience within the sample. In line with the analysis and the empirical findings of this chapter, cross-border construction companies are limited in number, and usually not representative of the general universe, as they tend to be (i) larger; (ii) specialised in niche markets; or (iii) established in border regions.

A quarter of the respondents provided cross-border services after 2009, i.e. including the period **when the SD had already deployed its effects. Service were provided through the respondents' own company, a subsidiary incorporated in the host MS, or both.** The choice depends on the size of the companies, as only two large companies reported having established a subsidiary abroad. One respondent suggested that the easiest way for operating abroad is the following: **'a local subsidiary can be established – just an office – in the host MS, which can take care of all the administrative work, and then subcontract the bulk of the works to the mother company'**. Small companies are more likely to work in their own name, and largely as sub-contractors of larger companies from the same MS.

¹⁶⁴ Available at: http://www.ffsa.fr/sites/jcms/p1_1591570/fr/construction-insurance-the-bureau-of-european-manufacturers-set-up-by-the-ffsa?cc=p1_1371900 (last accessed on March, 2016).

Few companies could indicate whether certain requirements were abolished after the introduction of SD, e.g. concerning the use of own equipment or the acceptance of equivalent documentation. Most significantly, as in the case of internal simplifications, no company could provide an estimate of the cost savings linked to the elimination or reduction of regulatory barriers. A large Italian company mentioned that it could rely on equivalent documentations issued from the home MS to comply with the host country requirements, reducing the lead time and paperwork costs. In addition to that, several firms mentioned that they were not subject to any requirement concerning the use of own equipment, and that the elimination of the obligation to hire local workers reduced the lead time and the risks linked to the limited knowledge of the local pool of expertise.

4.4 The Inward Effects of the Services Directive

Stakeholder associations, governments and companies – both those operating cross-border and those which only operate locally – were also interviewed on the inward effects of the SD, i.e. asking whether they could see an increase in operators coming from other EU countries in their local markets. Since a limited number of construction companies currently operate abroad (as shown in section 3 above), grievances concerning the increase of competition were expected to be limited. Interestingly, this was not the case uniformly across the EU: *in some countries, and in some market segments, both stakeholder associations and companies reported an increase in competition*. How can these findings be reconciled with those presented above not pointing out a significant effect attributable to the SD? The most plausible answer is that stakeholders perceive the increased competition not so much from actual cross-border construction service providers, but mostly from companies merely posting workers across borders. The posting of workers Directive,¹⁶⁵ is therefore apparently attributed a larger role in bringing competitors from other EU MS in relation to the workforce construction market. **The role of irregular jobs, including possible abuses of certain worker status (i.e. the 'fake independent worker') was also mentioned. The largest impacts are** thus generated by the flow of foreign employees which falls outside the scope of the SD, as opposed to companies or independent workers covered by the SD.

Again, to the analysis should start from quantitative data or estimates concerning the number of construction operators active in other EU MS. As already discussed in section 4.3 above, such data are limited. Some data is available and was collected concerning posting of workers,¹⁶⁶ which is however out of the scope of the study.

The negative perception of increased competition within the Single Market is not equally spread across countries, firms and market segments. The most affected actors include:

1. SME. As discussed above, the bulk of cross-border activities in the construction sector is carried out by larger firms, which are better equipped to work at long distances and in different market environments, also because of a poor or inexistent internal market for construction services. To the contrary, the benefit from the opening of the Single Market to SME are more limited, for the same reason. This implies that, in a cost-benefit comparison, SME are more likely to suffer from the increased competitive pressure without enjoying more opportunities in other MS. This cleavage can be noticed both in the firms' opinions, and in the considerations of SME-specific trade associations, both at national and EU level.

¹⁶⁵ Directive 96/71/EC of the European Parliament and of the Council concerning the posting of workers in the framework of the provision of services. See also the so-called Enforcement Directive, that is Directive 2014/67/EU of the European Parliament and of the Council on the enforcement of Directive 96/71/EC concerning the posting of workers in the framework of the provision of services and amending Regulation (EU) No 1024/2012 on administrative cooperation through the Internal Market Information System ('the IMI Regulation').

¹⁶⁶ See <http://ec.europa.eu/social/main.jsp?catId=471>

2. Labour-intensive market segments. The competitive pressure due to labour mobility is higher for certain market segments with a higher labour intensity and a lower skill intensity, as in the case of certain building services such as plasterers, tilers, bricklayers. Those services are more mobile, i.e. can be provided at longer distance without incurring in prohibitive costs, and more fungible, i.e. the **use of the firm's local network of competences** may not be necessary. On the contrary, contractors, i.e. those firms whose activity has higher capital endowments and added value, rarely complain about the increase in competition. Rather, contractors may benefit from cheaper sub-contractors originating from other MS, though most of the benefits are usually attributed to the availability of foreign workers rather than firms. Importantly, this cleavage partially overlaps with the one above, as SME are more likely to populate the most affected market segments.
3. Geographical areas. The tone of comments and data retrieved shows a variation across geographical areas. First and foremost, the impact of increased competition is mostly felt in the Member States which (i) can be conveniently reached, e.g. are not islands or too peripheric; (ii) have high gross labour costs, i.e. including taxation and social contribution; and (iii) have a healthier and sufficiently large construction market to justify access by foreign companies from an economic point of view. Furthermore, the impact on healthier markets has been exacerbated in recent times due to the economic crisis which has affected severely the construction markets in certain MS.¹⁶⁷ Belgium and France correspond to these descriptions and were among the countries in which both companies and trade associations had the most negative assessment of increased competition, again with a distinction between SME and large companies and stakeholder associations. Italy is a case in point with regard to this difference, as foreign presence is relevant in Northern regions, which are more easily reachable and have a healthier market, but almost absent in Southern areas.

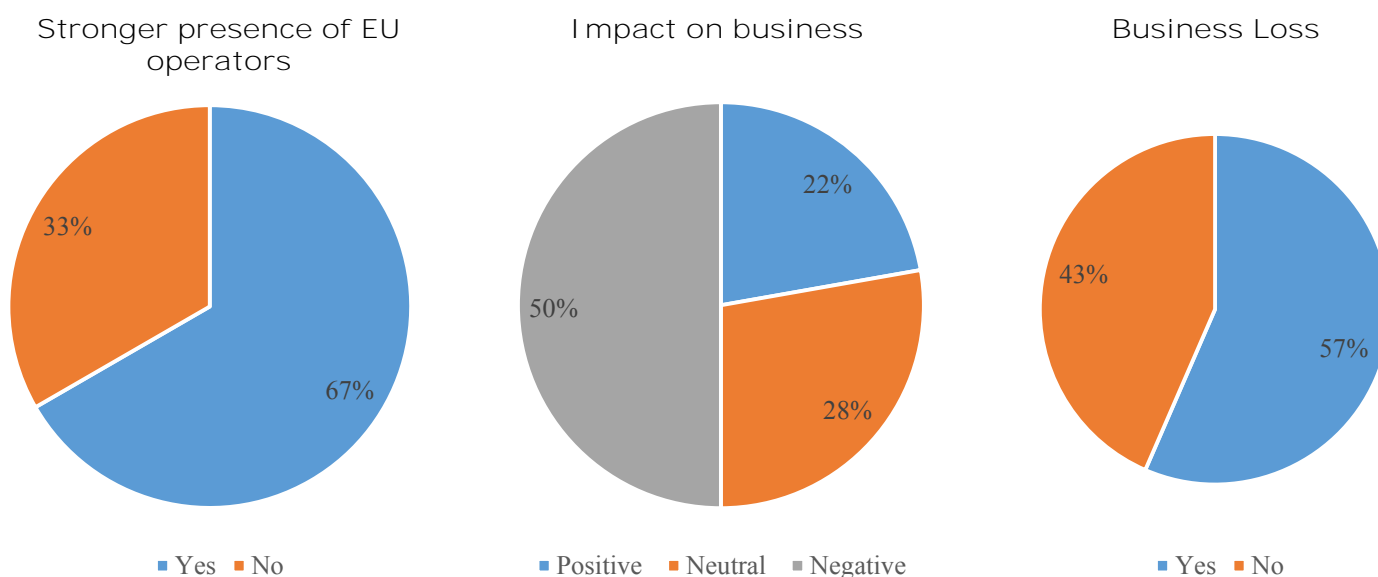
Clearly, *stakeholders rarely attributed the negative effects of increased and possibly unfair competition to the SD*. Actually, even in one of the most affected countries, one SME stakeholder association considered the impacts of the SD as *'marginal'*, and that the situation did not significantly change after the implementation of the SD. **Stakeholders' grievances were mainly targeted at the posting of workers Directive, with regard to both its provision and its enforcement, and the abuse of workers status by so-called 'fake independents'**. As for the former, the posting of workers Directive is perceived as an attempt to create a playing field which is not even, because of substantial differences in wage costs and wage components across MS. Furthermore, both governments and associations underlined that a proper enforcement of the Directive, including a verification that workers respect the conditions required in the host country, is complex and the results are not yet satisfactory. At the same time, respondents recognised that the new provisions making the main contractor co-responsible for frauds provides disincentives against misuses or abuses.¹⁶⁸ As for the latter, the abuse of the status of independent worker concerns the case in which a foreign construction worker operates *de facto* as an employee, but, based on its status of independent worker granted in the home MS, is not subject to the local regulation on salaries, taxes, contributions and working conditions for employees. Also in this case, problems relate not only to the EU legislative framework, though the SD has a role in improving conditions for the free movement of independent service providers, but also to the controls at national and local level by labour authorities. The relative importance of the role of the EU framework and enforcement actions is not clear: both a government and a stakeholder association from the same country suggested that enforcement is difficult because the SD allows services providers to operate freely in other MS. However, the verification of whether an independent worker is working as such or is an employee in disguise is not covered by the SD and remains largely within national legislative and administrative competences. Framework control rules recently put in place by the Enforcement Directive of the Posting of Workers Directive are expected to facilitate and streamline controls in this regard.

¹⁶⁷ See Section 1.1 above.

¹⁶⁸ The Enforcement Directive was approved in 2014 and is yet in its transposition phase, so the findings do not concern the effect of this piece of legislation.

Interviews with companies. Construction companies and installers were first asked whether they could observe a stronger presence of foreign operators from other EU MS from 2009 onwards with 68% reporting that this was the case. For those who answered affirmatively, subsequent questions asked whether their business was affected by additional competitions from EU operators, and whether they had lost any business for this reason. 22% of respondents reported a positive impact from the increased presence of EU operators, e.g. due to lower price sub-suppliers or the possibility of resorting to a larger pool of expertise; 28% reported no impact from foreign competition; and 50% reported a negative impact. When asked whether the negative impacts translated into lost business, 57% of the respondents answered affirmatively. The results are shown in Exhibit 4.2 below.

Exhibit 4.2 Impact of EU competition on construction operators (contractors and installers)¹⁶⁹



Considering the cleavages discussed above, large companies are less likely to have noticed stronger EU competition over the recent years (50% of affirmative answers against 68% among the total number of respondents). As for geographical areas, 100% of Belgian and French respondents reported an increase in competition, while, at the other end of the spectrum, the share is the lowest for British and German operators.

As anticipated, about one fifth of the respondents did enjoy benefits from a more intense presence of EU operators. The benefit mentioned the most is the availability of cheaper suppliers, reportedly without significant losses in terms of quality of the works. A German respondent mentioned that it could position itself in higher market segments, while foreign operators occupied lower quality segments. A Belgian company had to focus on training and sustainable construction to change market segment and escape the downward pressure on price created by foreign competitors. The comments reported by respondents which are negatively affected largely mirror the previous ones: foreign competitors put a downward pressure on prices, which can hardly be sustained, especially if, as repeatedly pointed out, foreign companies structurally have lower costs (e.g. because of social security contributions) or do not respect local labour legislation. These considerations are almost unanimous across companies and MS. In the words of one of the respondents, *'choosing to open borders without harmonising fiscal and social security systems is a serious fault and a non-understandable error'*. In a nutshell, those firms reporting a negative impact are very likely to perceive this competition as unfair, rather than

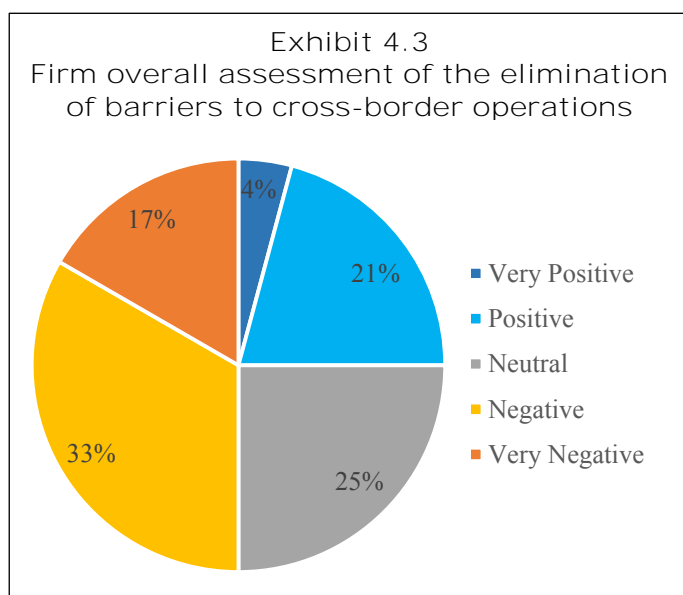
¹⁶⁹ Number of respondents: (i) stronger presence of EU operators: 36; (ii) impact on business: 27; (iii) business loss: 22.

based on merit. This evidence confirms that the perception of impacts comes rather from labour and social security legislation and not from the impact (or lack thereof) of the SD.

4.5 Conclusions

The assessment of the effects of the SD on the construction sector focused on three different areas: (i) simplifications; (ii) new business opportunities for cross-border companies; and (iii) the impact of increased foreign competition. Across all these areas, the effects were discussed, significant data gaps with regard to cross-border construction activities notwithstanding. The impacts are considered not to be significant for various reasons, including the challenge in implementing simplifications at local level and the limited mobility of construction companies. Furthermore, as the regulatory framework for both internal and cross-border construction activities depends on a complex group of intertwined pieces of legislation, at EU, national and local level, attributing specific impacts clearly to the SD based on the evidences retrieved is difficult.

It appears clearly that, due to a very limited and sometimes inexistent specific implementation of the Services Directive for the construction sector, the impact of simplification and new business opportunities is also, accordingly, very limited or inexistent. This, in turn, translates into a lack of perceived impact by construction operators. Due to a generalised lack of knowledge of the SD, its lack of implementation on the ground and to a specific focus on labour and social security issues, the perceived assessment by firms of the impact of the elimination of barriers can only marginally be attributed to the SD itself, instead referring to other fields of EU law governing labour and social security issues.



To conclude, Exhibit 4.3 (left) portrays the overall assessment of the elimination of barriers to cross-border operations for construction companies and installers. That is, the question takes into account the benefits due to new business opportunities abroad, the benefits due to the entry of other operators in the home market, and the costs due to increased competition. A quarter of the respondents¹⁷⁰ had a positive or very positive view, while 50% held a negative or very negative view. The sample of companies interviewed appears thus split between a group of companies benefiting from Single Market integration, more likely among those operating abroad or benefiting from cheaper sub-contractors, and a majority of companies for which costs overcome benefits.

¹⁷⁰ Number of respondents: 24.

5 MARKET OPPORTUNITIES LINKED TO ENERGY EFFICIENCY IN BUILDINGS

5.1 Introduction

The analysis carried out at the inception stage suggested that EU legislation, and in particular **the EPBD, could result in "New business opportunities** linked to the growing demand for energy-efficient buildings, building systems and materials in order to meet energy performance requirements."¹⁷¹ This section is devoted to the assessment of these market opportunities, through an estimation of the turnover linked to the introduction of stricter energy efficiency (EE) standards, hereinafter referred to as the 'EE market'.

The assessment of the EE market focuses on the residential buildings sub-sector, with a detailed analysis of both new buildings and building renovation. Due to lack of information, no attempt was made to cover the non-residential buildings sub-sector. The analysis relies on the methodology for estimating the effects of EU legislation presented in the Inception Report.¹⁷² In practice, the exercise relied on a combination of elements drawn from secondary sources and information obtained during interviews with stakeholders and firms. In general, the information from secondary sources was used as a starting point, with interviews being used for validation purposes.

The section is structured as follows:

- Section 5.2 reviews the key developments in the regulatory framework;
- Section 5.3 provides an overview of the main EE-related support measures;
- Section 5.4 provides an assessment of the EE market for the new buildings segment;
- Section 5.5 does the same regarding the EE market for the buildings renovation segment;
- Section 5.6 summarizes the results and elaborates on the influence exerted by EU legislation.

5.2 Developments in the Regulatory Framework¹⁷³

The requirements for energy performance in buildings (EPB) are incorporated in building codes **or equivalent regulations developed by governments' authorities at the national and/or at the regional/local levels**. Most of the countries covered by this Study have a fairly long history of regulating EPB, with the first provisions often dating back to the 1970s or even the 1960s. During the 2004 – 2014 period, the regulatory framework underwent significant changes in all the countries. The main developments in each of the ten countries analysed in detail are summarised in the following paragraphs.

Belgium. In Belgium, the responsibility for the setting of energy requirements in buildings rests with regional authorities. Until the end of the 1990s, in all the regions EPB requirements mostly consisted of minimum levels of thermal insulation. Subsequent developments led to some differentiation across the regions. In the Flanders, a new set of energy performance requirements was introduced in 2006, covering both new buildings and major renovations. The standards were strengthened in 2008, entailing a 20% reduction in energy requirements. This was followed by a further tightening in 2011, entailing an additional 10% reduction in energy requirements. In Brussels and Wallonia the regulatory framework had a similar evolution, although with a time lag of a couple of years. As a result, the EPB parameters in force at the end of the period under consideration were comparatively less stringent (e.g. in Wallonia the transition from the so called E100 to E80 standard for new buildings was to be completed by

¹⁷¹ Inception Report (Revised), 19 October 2015, page 17.

¹⁷² See Inception Report (Revised), section 4, in particular the paragraph concerning the estimation of new business opportunities and efficiency gains.

¹⁷³ Information for this section was mainly derived from the documents produced in the framework of the **Concerted Action Energy Performance of Buildings Directive (hereinafter 'Concerted Action')**. In particular, reference was made to the volume **Concerted Action, Implementing the Energy Performance of Buildings Directive – Featuring Country Reports 2012, October 2013 (hereinafter, 'Concerted Action 2013')** and to the previous implementation reports in the various countries (hereinafter, 'Country Reports').

December 2013, whereas in Flanders this was achieved two years earlier)

Denmark. In Denmark, the first prescriptive provisions on energy requirements for buildings date back to 1961. Requirements were progressively refined over time, with a major tightening in 1995. In 2005, a major reform of the Building Code led to a strengthening of technical parameters for both new buildings and renovations, entailing a 25% reduction in energy requirements compared with the 1995 levels. In addition, the implementation of selected measures was made mandatory in all renovations, irrespective of their size. A further tightening of parameters for new buildings took place in 2010, requiring a 25% reduction compared with 2005, with another 25% improvement expected to take place by 2020. In addition, the implementation of measures with a short payback period was made mandatory in all renovations.

France. In France, the first Réglementation Thermique (RT) covering insulation and heating systems in new residential buildings was introduced in 1974 (RT1974). New regulations were adopted in 1988 and 2000, extending the coverage to non-residential buildings and introducing stricter primary energy requirements. After the adoption of the EPBD 2002, a new regulation was passed in 2005 (RT2005), with the lowering of energy requirements to 150 kWh/year/sqm. In 2007, energy requirements were for the first time extended to building renovations and the concept of low energy building was introduced. In the late 2000s, following the adoption by the government of an ambitious environment plan, special measures were introduced for heating systems (2009) and air conditioning (2010). Finally, a new regulation was adopted in 2012 (RT2012), requiring a drastic reduction in energy consumption levels in new buildings, with targets of 50 and 70 kWh/year/sqm for, respectively, residential and non-residential buildings.

Germany. In Germany, requirements concerning the energy performance of buildings have been in place since 1977. Stricter parameters for the thermal insulation of new buildings were introduced in the following two decades, and in 1995 permissible primary energy levels were lowered by some 40%. Energy performance requirements were significantly strengthened in 2002, with the approval of the first Energieeinsparverordnung (EnEV2002), which set a limit of 100 kWh/year/sqm for new buildings and introduced requirements for building renovations. Important changes took place at the end of the 2000s, with the approval of the EnEV2009, which reduced the upper limits for new buildings by 30%, introduced the obligation to generate at least 15% of the energy through RES, and imposed several specific measures for renovations (insulation of attics, replacement of boilers more than 30 years old). Finally, following the adoption of the EPBD 2010, a new regulation was approved at the end of 2013 and became effective in 2014 (EnEV2014). The regulation entails a further tightening of requirements, with the objective of achieving the nearly-zero energy standard in all new buildings by 2021.

Ireland. In Ireland, the first thermal performance standards were introduced in the Building Regulations in 1992. The first performance-based code was adopted in 2002, with the setting of a primary energy requirement target (156 kWh/year/sqm). The parameters for residential buildings were strengthened in 2007, with the introduction of a minimum requirement for RES and a 40% reduction in overall energy requirements compared with 2002 levels. These requirements were extended to non-residential buildings in 2008. A major revision of the Building Regulations took place in 2010, with a further 20% lowering of energy requirements compared with 2002 levels and the introduction of a series of specific provisions for residential buildings (improvements in wall, roof and floor insulation; deployment of higher efficiency oil and gas boilers; etc.).

Italy. Legislation on EPB was first introduced in 1976, with additional measures adopted in the early 1990s. Regulations were modified in 2005, in parallel with EPBD 2002 transposition, with the setting of a set of stricter primary energy requirements to be implemented over a 6-year period, leading to a final value of 71.2 kWh/year/sqm starting from January 2010. The same parameters were applicable for large renovations, while smaller scale renovations were subject to less strict requirements. Minimum requirements regarding RES were introduced in 2009, again to be implemented gradually over a 5-year period. The EPBD 2010 was transposed in 2013, paving the way for the adoption in mid-2015 of new regulations concerning the Near Zero Energy

Buildings (NZEB). In Italy, energy policy is a shared competence between the state and the regions and the latter are entitled to adopt stricter regulations. For instance, in Lombardia, a regional law passed in 2012 requires all new buildings to meet the NZEB standards from January 2016, well ahead of what envisaged by national legislation.

Poland. In Poland, energy performance standards were not particularly stringent until the mid-late 1990s. A significant step was undertaken in 1998, with the passing of the Thermo-Modernization Act, which established the first instrument aimed at improving energy efficiency in buildings. Prior to EU accession, a new set of requirements for individual building components was adopted in 2002. The systems was modified in 2008, in parallel with the EPBD 2002 transposition, when performance-based requirements were also added. However, the coexistence of prescriptive and performance-based approaches resulted in inconsistencies, in certain cases leading to a de facto lowering of standards. Minimum requirements for renewable energy in large building were introduced in 2009. Finally, a new set of stricter parameters was introduced in 2013, with the new requirements to be gradually fulfilled starting from 2014.

Romania. In Romania, technical requirements concerning the energy performance of buildings are set in the so called C107 regulation. Originally approved in 1997 and entered into force in 1998, the regulation was applicable to new buildings and extensions. Some amendments to the C107 regulation were introduced in 2000. The regulation was again amended at the end of 2005, in parallel with the transposition of the EPBD 2002, with the adoption of new requirements for both new buildings and major renovations that entered into force in 2007. The C107 regulation was again modified in October 2010, with the strengthening of thermal resistance parameters for renovations, and the setting of maximum heating energy consumption at 100 kWh/sqm/year.

Spain. In Spain, minimum energy performance standards for new buildings were first introduced in 1979. There were some modifications in 1998, with the adoption of the Reglamento de Instalaciones Térmicas en los Edificios (RITE), but the regulatory framework remained basically unaltered until 2006, when the Código Técnico de la Edificación (CTE) was approved. The adoption of the CTE coincided with the transposition of the EPBD 2002, resulting in the strengthening of minimum **standards for new buildings (de facto corresponding to the EPC's D class)** and the introduction for the first time of minimum requirements for large renovations. Additional requirements concerning ventilation and other aspects were introduced in 2007, with a modification of the RITE. The CTE/RITE were amended in 2013, as part of the transposition of the EPBD 2010. The new regulations entail a significant strengthening of EE parameters for new buildings, with minimum requirements equivalent to those **applicable for the EPC's B class**.

United Kingdom.¹⁷⁴ In the UK, prescriptive energy requirements were first introduced in 1976, **when a schedule on the 'conservation of fuel and power' was added to the Building Regulations**. Over the subsequent two decades, EPB requirements were somewhat strengthened, with significant changes taking place in 1994 and in 2000. The Building Regulations were again modified in 2005 and 2006, in parallel with the transposition of EPBD 2002. These amendments lowered EPB requirements by 20% for residential building and by 23%-28% for non-residential buildings and made mandatory the installation of high efficiency condensing boilers. Following the approval of the Climate Change Act of 2008, a new change occurred in 2010, when the requirements were again lowered by 25% for both residential and non-residential buildings (although leaving largely unchanged the minimum performance for individual building components). Finally, regulations were again modified in 2013. Initially motivated by the ambitious objective of achieving the NZEB stage by 2016, the 2013 revision was originally expected to result in another major cut in energy requirements, but eventually involved a reduction of only 6% for dwellings and 9% for non-residential building. The new provisions became effective in April 2014.

¹⁷⁴ The analysis presented here only refers to developments in England and Wales. In Scotland and Northern Ireland, EE regulations followed a similar pattern, with only marginal differences.

Summing Up. On the regulatory front, the 2004 – 2014 period is characterised by two elements common to all the countries, namely: (i) the significant strengthening of EPB requirements, and (ii) the growing attention paid to building renovations. However, the process was far from uniform, with some countries opting for a more gradual approach and others modifying the levels of ambition 'en route'. **Differences also persist in the way in which the EPB requirements** are expressed. While there was a general trend towards the adoption of performance-based requirements (i.e. considering the energy performance of buildings as a whole), in several cases prescriptive elements are still present in building codes. While this is justified on several grounds, especially in the case of renovations, it also makes it more difficult to properly compare EPB requirements across countries.

5.3 National Financial Support Measures¹⁷⁵

Changes in the regulatory framework have been paralleled by the deployment of financial measures aimed at supporting EE in buildings. The main programmes implemented over the 2004 – 2014 period in the ten countries covered by the Study are illustrated in the following paragraphs. It is important to note that EE-related measures coexist with a number of other **instruments aimed at supporting building construction and/or renovation 'in general'**. Notable examples of these general measures include: (i) the preferential VAT regimes adopted for the construction sector in France, Spain and Italy; (ii) the tax deductibility of certain categories of expenses for renovation works in Italy, Ireland and Germany; (iv) the accelerated depreciation scheme used in France for built-to-rent buildings (recently discontinued and replaced with a tax credit mechanism); and (v) various subsidised lending or (more rarely) grant schemes targeted at special categories (e.g. **first-time buyers**) in all countries. Often, these 'generic' support schemes can be cumulated with EE-related schemes, making it difficult to precisely assess the separate impact of the various instruments.

Belgium. In Belgium, support measures target both renovation and new buildings, and include preferential tax regimes, grants and subsidised loans. At the federal level, a tax deduction scheme for EE measures was introduced in 2004. However, following the fiscal reform of 2012, since 2013 the scheme only applies to roof insulation works. Grant and subsidised lending schemes are managed by regional authorities. Mostly launched in the mid-late 2000s, these schemes have undergone several modifications, with changes in the scope of application and/or in eligibility requirements and/or in the level of subsidy. For instance, in Brussels, the grant **available under the 'Primes énergie' scheme for the purchase of a 'construction neuve passive' declined from € 100/sqm in 2009 to a maximum of € 40/sqm in 2014. In the Flemish region**, new buildings displaying better than mandatory requirements benefit from a reduction in property tax. Introduced in 2008, the scheme was revised in 2014 to reflect the tighter energy requirements set in EE regulations. Finally, at federal level, since the year 2000 general renovation works benefit from a reduced VAT rate (6% compared with the 21% standard rate). Initially applicable to the renovation of buildings more than five years old, since 2015 this benefit only concerns buildings that are more than ten years old.

Denmark. Denmark is a somewhat special case, as government authorities have scarcely relied on **'direct' support schemes, involving the provision of grants or subsidised loans**. The achievement of the EE objectives in the building sector is pursued primarily through tax policy (Danish energy tax rates are among the highest in the world), an extensive reliance on energy efficiency obligation schemes, and information diffusion and awareness increasing tools.

¹⁷⁵ EE-related financial instruments have been analysed in a variety of studies. Comprehensive reviews include: ODYSSE – MURE, Synthesis: Energy Efficiency Trends and Policies in the EU, September 2015; Energy Efficiency Financial Institutions Group, Energy Efficiency – the first fuel for the EU Economy - How to drive new finance for energy efficiency investments, February 2015; and BPIE, Energy Efficiency Policies in Buildings – The Use of Financial Instruments at Member State Level, August 2012. This section is based on these reports as well as on other sources (press releases, government documents, etc.) providing information on the latest developments up to end 2014.

France. In France, government measures supporting EE-related improvements mostly focus on building renovation, although assistance is also extended to new buildings. A tax credit mechanism (**crédit d'impôt développement durable – CIDD**) was established in 2005 to support a wide range of EE-related interventions, from insulation works to the acquisition and installation of high performance heating systems. The tax deduction rate varied depending upon the nature of the intervention, with higher levels of support reserved to complex interventions. **The mechanism was replaced at the end of 2014, with the introduction of the crédit d'impôt pour la transition énergétique (CITE), with a standard 30% rate.** A subsidised lending scheme (Eco-prêt à taux zero - eco-PTZ) **was introduced in 2009, with the objective of supporting 'deep renovations'.** This is a variant of a pre-existing scheme (Prêt à taux zero – PTZ) supporting the acquisition or renovation of buildings by first time owners. EE-related renovation works also benefit from a considerably reduced VAT rate (5.5% and in some years 7%), while generic building renovation benefits from VAT at 10% (recently increased from the previous 7%).

Germany. In Germany, EE-related support measures concern both new buildings and renovations and essentially consist of subsidised loans and grants. Both schemes are managed by Kreditanstalt für Wiederaufbau (KfW). In the case of new buildings, support is provided only **for those outperforming the minimum statutory limits, and the intensity of subsidy ('grant element') increases with the level of energy performance. The same logic applies to renovations,** although in this case the energy performance levels may well remain above the statutory limits for corresponding new buildings. In this case, assistance is mostly provided to comprehensive renovations, although support (in the form of grants) can also be provided to specific measures. **Subsidised loans cover up to 30% of the value of the building, with a maximum value of € 100,000,** while grants for specific measures cover up to 10% of total renovation costs. EE-related tax deductions were used in the past but have been discontinued, and their possible reintroduction was recently the subject of a heated debate. Instead, generic renovation works carried out by craftsmen still benefit from a 10% tax deduction.

Ireland. Government support schemes focus on building renovation and mostly rely on grant funding. The oldest program, Warmer Homes, launched back in 2000 and implemented through a network of not-for-profit organizations and private contractors, provides free EE upgrades for vulnerable and fuel poor households. A second grant scheme, the Better Energy Homes scheme, was launched in 2011 to replace two previous similar schemes, the Home Energy Savings Scheme and the Greener Homes Scheme. The programme provides small and medium grants **(up to € 3,600) to support a wide range of EE interventions,** including wall insulation, improvement in heating systems, heating and heating controls upgrades, the installation of solar heating. Starting in 2014, grant programs are complemented by a supplier obligation program, the Energy Efficiency Obligation Scheme (EEOS), resulting from the conversion of a previous voluntary agreement with selected utilities and other energy players.

Italy. EE-related measures mostly focus on building renovation, with limited support provided to the purchase of new buildings. A tax deduction mechanism supporting EE-related renovations was introduced in 2007. The mechanism allowed to deduct over a period of 10 years up to 55% of the total cost incurred by landlords (including VAT). In June 2013, tax deductibility was raised **to 65%, subject to maximum value depending upon the nature of the intervention (from € 100,000 for the heating system to € 30,000 for heat pumps).** This instrument is often used in conjunction with a similar tax deduction mechanism aimed at supporting building renovation in general. Introduced back in 1998, the scheme was repeatedly modified, with the tax deduction rate ranging from 36% to 50% depending upon the years. The purchase of new or existing EE buildings (A and A+ categories) is supported through a (mildly) subsidised lending scheme, the Plafond Casa. Initially launched in 2003, the scheme was revamped in 2013, but it is scarcely utilised.

Poland. In Poland, government programmes only target building renovation, and financing from national sources is supplemented with EU funds. The main support program is the Thermo-Modernization Fund, operational since 1999 and managed by the Bank Gospodarstwa Krajowego (BGK). In order to be eligible for financing, EE measures must achieve an energy saving ranging

between 10% (for interventions on the heating systems) and 25% (for complex renovations). Funding is provided in the form of a subsidised loan, with a 25% grant element. Photovoltaic installations have been supported with subsidised loans, but the scheme was extended to micro-installations only in 2015. Finally, funding for EE initiatives is also provided in the framework of European Regional and Development Fund (ERDF) programmes, but during the period under consideration the focus was primarily on non-residential buildings.

Romania. Support measures only focus on building renovation. The main government scheme, **known as 'Warmth and Comfort' program, focuses on the rehabilitation of apartment buildings** erected between 1950 and 1990. Launched in 2006, the program was due to expire in 2015 but it was recently prolonged until 2020. Funded by the national budget, the program provides grants worth up to 80% of rehabilitation costs, subject to certain maximum permissible values per sqm. Starting in **2012, the 'warmth and comfort' program was supplemented by a similar** scheme partly funded by the ERDF in the framework of the Regional Operational Program 2007 – 2013. The renovation of old apartment blocks is also extensively supported by the EIB, which since 2010 has approved a series of sizeable loans to four municipalities in the Bucharest area. Other measures include a small subsidised lending scheme supporting EE-renovation of houses completed before 2000 and the Casa Verde program, which provides small grants for the installation of RES (heat pumps, photovoltaic).

Spain. In Spain, support measures mostly concern building renovation, although there are also some measures focusing on new buildings. Renovation has been supported with grants provided under various schemes implemented since the early 2000s, such as the Plan de Ahorro y Eficiencia Energética (PAEE) and the Programa de Ayudas para la Rehabilitación Energética de Edificios Existentes del sector Residencial (PAREER), and the subsequent PAREER-CRECE. The subsidy has ranged between 20% and 35% of the EE-related expenditure, depending upon the nature of the interventions and/or the energy savings achieved (as attested by an improvement in EPC classification). The adoption of renewable energy solutions is also supported by some small subsidised lending schemes (e.g. Programa Biomcasa). In 2010, the government also introduced a tax rebate scheme (deducción por obras de mejora en la vivienda) allowing for the deduction of up to 20% of the expenditure incurred for EE-related renovations. However, the scheme was discontinued at the end of 2012. Finally, since 2010 EE-related renovations can benefit from a preferential VAT regime (initially at 7% and then raised to 10% compared with the 21% generally **applicable rate**) **introduced to support renovation 'in general'**. The construction of new EE buildings (A, B and C categories) was supported by the Plan Estatal de Vivienda y Rehabilitación 2009-2012, with the provision of small grants (between € 2,000 and € 3.500 per dwelling), with additional funding sometimes provided by regional authorities. Finally, both new buildings and building renovation are covered by the recent Plan Estatal de Fomento del Alquiler de Viviendas, la Rehabilitación Edificatoria, y la Regeneración y Renovación Urbanas, covering the 2013 – 2016 period. While no comprehensive data are available about the results achieved by these programs, their effectiveness is considered to be rather low by the Confederación Nacional de la Construcción (CNC).¹⁷⁶

United Kingdom. In the UK, government measures are predominantly targeted at supporting building renovation, with new residential construction receiving only marginal support in special cases (namely, exemption from the stamp duty land tax for new housing meeting very high EE parameters). The nature of government programs changed significantly during the period covered by this Study. Until the early 2010s, support to EE-related renovation was provided through a combination of grant schemes (mostly targeted at low income households) and company obligation programs, requiring energy operators to implement measures to reduce energy consumption in households. Starting in 2013, these programs were replaced by two new flagship initiatives, the Green Deal program and the Energy Company Obligation (ECO), inspired **to a more market oriented approach. The Green Deal was a lending scheme based on the 'pay-as-you-save' (PAYS) principle, intended to support a wide range of EE interventions, with focus**

¹⁷⁶ Personal communication from Ms. Ángeles Asenjo, International Department Director of CNC, 7 June 2016.

on low cost measures. The scheme experienced a number of difficulties which severely limited its effectiveness and in 2014 the PAYS approach was abandoned, with a return to grant funding. As for ECO, it differs from previous company obligation programs insofar part of the cost of interventions is passed onto consumers through their energy bills. Aimed at supporting more complex EE-renovation measures, such as solid walls insulation and hard-to-treat cavity insulation, ECO also experienced problems in the initial stages of implementation. However, the take up improved overtime and the scheme was renewed until 2017.

Summing Up. Three main elements emerge from the analysis of government support schemes. *First*, in line with developments in the regulatory framework, in virtually all countries support programs focus primarily (and often increasingly) on building renovation. Support to new buildings is still available in some countries, but typically on a much smaller scale and/or only in selected cases. *Second*, the range of instruments deployed is extremely varied, reflecting national preferences and traditions. In some cases, the selection of instruments was influenced by considerations that have little to do with EE-related considerations. For instance, the use of reduced VAT schemes in Belgium, Spain and Italy was also (if not primarily) conceived to help **combating the phenomenon of the 'grey economy', particularly widespread in the construction industry**. *Third*, there are significant differences across MS regarding the selectivity of government assistance. In some countries/regions (e.g. Germany and the Flanders), support schemes are increasingly geared towards the achievement of progressively higher EPB standards. In other countries, a significant share (sometimes the bulk) of support is provided **through 'broad' schemes, that apply to a wide range of EE-related interventions**, not necessarily entailing significant improvements in EE standards.

5.4 EE-related Market for New Buildings

5.4.1 Introduction

The EE-related market for new buildings is defined as the turnover accruing to construction firms **as a result of the extra costs linked to the adoption of stricter EPB requirements that are 'passed onto' clients**.

Estimating the EE-related market in the new buildings segment is a challenging task due to the presence of various concomitant factors. The two main variables to be considered are: (i) the increase in construction costs associated with the introduction of more stringent EE regulations; and the (ii) the extent to which construction firms are able to compensate higher costs with a **corresponding increase in prices (the so called 'pass-on' factor)**. In turn, the **'pass on' factor is influenced by various factors**, including: (a) the very magnitude of the extra costs determined by more stringent EE regulations (as smaller increases are more easily transferred to clients); (b) general market developments, i.e. the general trend in real estate prices and volume of transactions; (c) presence and scale of government financing schemes aimed at supporting the **purchase of more energy efficient buildings; and (d) house buyers' preferences, which may (or may not) result in the willingness to pay a premium for more energy efficient houses**.

In practice, the first step in the analysis consists in estimating the increase in construction costs linked to the adoption of EE regulations. The cost increase is estimated with respect to the situation prevailing in 2004 (i.e. at the beginning of the period analysed), which is regarded as **the 'baseline'**. **As enterprises typically operate on a 'cost plus basis', the cost increase can also be regarded as indicative of the turnover linked to EE regulations**. Therefore, as a second step, the cost increase, expressed in percentage terms, is multiplied by the value of the new buildings output, obtaining an initial estimate of the **EE-related turnover**. **Since the 'extra cost' due to EE regulations and the new buildings output both vary overtime, this exercise is done for each year over the 2004 – 2014 period covered by the Study**. The third step involves the estimation of the **'pass-on' factor, i.e. the extent to which the cost increase actually did translate into an increase in price**. Finally, the **'pass on' factor is used to adjust the initial estimate, providing the final assessment of the EE market**. An example illustrating the logic of the approach is provided in Box 5.1 below.

Box 5.1 Example

In year X a new EE regulation entered into effect, raising construction costs by 5% compared to the baseline. In that year, the new buildings output was € 100 billion, which prima facie suggests an EE-related turnover of € 5 billion. Year X was a bad year for the construction industry, with a major decline in the demand for new buildings. The situation was aggravated by the discontinuation of certain government programmes, due to budgetary difficulties. As a result, in order to remain competitive, construction companies had to reduce their margins by absorbing about 20% of the cost increase linked to EE regulations (i.e. the increase in the price charged to home buyers was only 4%, not 5%). Therefore, in year X the EE-related turnover can be estimated at € 4 billion.

The above approach incorporates a highly stylised version of the functioning of the new buildings market and this inevitably entails some limitations. For instance, the analysis is based on average values, which obviously does not do justice to extreme diversity of the new buildings market (e.g. detached family houses, semi-detached family houses, medium rise apartment buildings, high rise apartment buildings, etc.). Also, the approach is somewhat 'naïve' in the sense that it assumes that construction firms fully comply with the mandatory EPB requirements, whereas there is significant evidence that this is not always the case, especially in the years immediately following the entry into force of a new EE regulation.¹⁷⁷ Finally, the approach neglects the possibility that the EE-related costs may decline over time, due to some form of 'learning effect'.¹⁷⁸

5.4.2 Country Analysis

Estimating the Extra Costs. The sources and the parameters used for the analysis are presented in Exhibit 5.1 below.

Exhibit 5.1 Assessment of Extra Costs – Sources and Parameters

Countries	Sources of Information and Parameters Retained for the Analysis
Belgium	The extra costs were estimated primarily on the basis of engineering studies. ¹⁷⁹ The estimates provided by the firms interviewed were much higher (with some interviewees reporting extra costs of up to 20%), and appear to be inconsistent with general market developments. A further element of complication in providing an estimate at the national level lies in the different pace of implementation of EPB requirements across regions, with the Flanders moving at a faster pace. The cost increases retained for the analysis are: (i) 2% between 2006 and 2009, (ii) 5% for the 2010 – 2012 period; and (ii) 6% for 2013-2014.

¹⁷⁷ On the issue of compliance with minimum statutory requirements, see the recent European Commission, Energy Performance of Buildings Directive (EPBD) Compliance Study, December 2015 (especially section 3).

¹⁷⁸ It is worth noting that on the magnitude of the learning effect in EE technologies in building views are not unanimous. Some studies assume quite high learning factors, with cost reductions of up to 50% (although over periods of time typically longer than the period covered by this Study). The building construction professionals interviewed for the Study offer a more nuanced view, suggesting the possibility of significant cost savings for certain components (heating systems, windows and doors), but not for classical construction work. For a fairly optimistic view, see Diana Urge-Vorsatz and others, Monetary Benefits of Ambitious Building Energy Policies. Research report prepared by ABUD for the Global Building Performance Network, January 2015. For a more reserved assessment, see the considerations provided in Giraudet Louis-Gaëtan and others, A model of the French residential demand for heating energy to evaluate the impact of policy instruments, CIRED, 2010.

¹⁷⁹ See Janssens B and A Verbruggen, Feasibility of upgrading the energy performance of recent massive brick houses, Frontiers of Architectural Research, 2014; and Georges L and others, Environmental and economic performance of heating systems for energy-efficient dwellings: Case of passive and low-energy single-family houses, Energy Policy, 2012

<i>Denmark</i>	The extra costs linked to EE regulations were estimated based on engineering studies and other publications ¹⁸⁰ and validated with stakeholders and firms. The cost increases retained for the analysis are: (i) 2% for the 2005 – 2010 period (i.e. in connection with the 25% reduction in energy requirements compared with 1995 levels); and (ii) 8% for the 2011 – 2014 period (linked to a further 25% reduction compared with 2005).
<i>France</i>	Estimates of extra costs were based on engineering studies and other publications, ¹⁸¹ supplemented with information provided by the business associations and construction firms interviewed (whose assessment was less divergent than in other countries). The cost increases retained for the analysis are: (i) 3% over the 2006 – 2009 period (i.e. from the entry into force of the RT2005 until the introduction of additional measures at the end of the 2000s); (ii) 5% over the 2010 – 2012 period (i.e. until the entry into force of the RT2012), and (iii) 8% in the years 2013 – 2014, corresponding to the initial phase of the RT2012.
<i>Germany</i>	The extra costs were estimated based on two studies, one sponsored by business associations and the other commissioned by the government, that - while diverging in many respects - concurred in assessing the extra cost at 6% for the period up to 2014. ¹⁸² The firms interviewed typically provided much higher estimates (up to 35%), which were deemed unrealistic. For the purpose of the analysis, the 6% cost increase was subdivided into two steps, namely: (i) a 3% cost increase from 2004 up to 2009 (i.e. up to the approval of the EnEV2009); and (ii) another 3% cost increase for the following years.
<i>Ireland</i>	Estimates of the extra costs are based on the impact assessments for the revision of the Building Regulations. ¹⁸³ The existence of an increase in construction costs was confirmed by government authorities and stakeholders, who however could not provide any estimate. The cost increases retained for the analysis are: (i) 4.5% from 2008 (when the 2005 Building Regulation revision became effective) until 2010; and (ii) 6% from 2011 onwards. These values refer to a semi-detached house, the most common dwelling type in Ireland.
<i>Italy</i>	The extra costs were estimated based on information provided by business associations and firms, eliminating the most extreme values. The cost increases used for the analysis are: (i) 1% over the 2006 – 2007 period; (ii) 2% for the biennium 2008 – 2009; (iii) 3% for the 2011-2012 period; and (iv) 4% since 2012 (when the renewable energy requirements introduced in 2011 started being implemented). The progressive cost increase reflects the gradual phasing in of the requirements set by the 2005 reform.

¹⁸⁰ See Aggerholm S, Skærpede krav til nybyggeriet 2010 og fremover: Økonomisk analyse, Statens Byggeforskningsinstitut, 2009; and Thomsen K E and S Aggerholm, Denmark: Impact, compliance and control of legislation, ASIEPI, 31 December 2009.

¹⁸¹ Ministère de l'Emploi, de la Cohésion sociale et du Logement, Règlementation Thermique 2005 - Réunion **départementale d'information (undated)** ; **Enertech/ADEME, Bâtiments performants** – Etude économique – Rapport Final, 2011; Ministère l'Écologie, de l'Énergie, du Développement durable et de la Mer, La réglementation thermique **2012 (undated)**; **FFB, Analyse de l'évolution comparée des prix et des coûts dans le bâtiment - Préconisations en matière de simplifications réglementaires**, Juillet 2013.

¹⁸² See ARGE, Kostentreiber für den Wohnungsbau - Untersuchung und Betrachtung der wichtigsten Einflussfaktoren auf die Gestehungskosten und auf die aktuelle Kostenentwicklung von Wohnraum in Deutschland, April 2015; and Wissenschaftliche und Technische Begleitung der **Baukostensenkungskommission, im Rahmen des Forschungsprogramms „Zukunft Bau“** des Bundesministeriums für Umwelt, Naturschutz, Bau und Reaktorsicherheit (BMUB) – Endbericht, November 2015.

¹⁸³ Department of the Environment, Heritage and Local Government, Regulatory Impact Assessment - Building Regulations Part L and Technical Guidance Document L, December 2007; and Department of the Environment, Community and Local Government, Regulatory Impact Analysis - Conservation of Fuel and Energy in New Dwellings - Proposed amendments to Building Regulations Part L and Technical Guidance Document L, 26 July 2010.

<i>Poland</i>	It is unclear whether the technical regulations adopted in 2008 resulted in any cost increase. Stakeholders and firms interviewed mentioned some increase in costs, but were unable to provide any quantification. For the purpose of the analysis a minimal extra cost of 1% was assumed starting in 2008. The effects of the technical regulation adopted in 2013 were not considered as the ensuing cost increase mostly materialised after 2014.
<i>Romania</i>	There are no studies on the extra cost and the information collected through interviews is conflicting, as some interviewees did not notice any cost increase while others mentioned a 15% increase. However, this latter figure is derived from the maximum permissible value for renovation works under the 'Warmth and Comfort' program, which is scarcely relevant for new buildings. Considering that until recently Romania's EPB requirements were not particularly stringent, a 3% cost increase was conservatively assumed, applicable to the 2011 – 2014 period (i.e. following the October 2010 revision of the C107 regulation).
<i>Spain</i>	Estimates are based on engineering studies for large apartment buildings ¹⁸⁴ and were adjusted upward by about 50% to reflect higher unit costs in smaller buildings. The estimates provided by the firms interviewed were only partly taken into consideration, due to the wide range of variations and the presence of some clear outliers (up to 12% cost increase, which is scarcely credible considering general market developments). The extra costs used for the analysis are: (i) 3% for the 2007 – 2013 period (i.e. following the adoption of CITE in 2006); and (ii) 6% for the year 2014 (i.e. following the 2013 reform).
<i>United Kingdom</i>	Estimates of extra costs are based on the impact assessments for the Buildings Regulations revision, ¹⁸⁵ adjusted upward based on information collected through interviews, but without considering the highest values (some suggested up to a 22% cost increase, which is clearly unrealistic). The extra costs considered for the analysis are: (i) 2% for the 2007 – 2010 period (i.e. following the 2005 Building Regulations revision); and (ii) 4% for the 2011 – 2014 period (reflecting the 2010 revision). The cost increase associated with the 2013 revision was not considered as it became effective during 2014 and its effects de facto materialised afterwards.

Estimating the 'Pass on' Factor. The information regarding the magnitude of the 'pass-on' factor can be summarised as follows:

- In *Belgium, Denmark, France, Germany, Poland and Romania and the UK*, available evidence suggests that construction firms were generally able to incorporate the extra costs into prices, with a corresponding increase in turnover. After the real estate bubble of the mid – late 2000s, all the countries experienced periods of declining prices. However, this mostly **resulted in a reduction in the 'real estate rent', and did not fundamentally alter the cost plus pricing mechanism** used by construction firms. Also, in France and Germany, the demand for high quality buildings was actively supported by subsidised lending schemes, therefore reducing the downward pressure on prices. Moreover, there are indications that in **West European countries home buyers' preferences progressively** reoriented towards dwellings with higher EE standards, for which they are prepared to pay a premium.¹⁸⁶ Finally, in the

¹⁸⁴ See PRECOST&E, Evaluación de los costes constructivos y consumos energéticos derivados de la calificación energética de viviendas, Universidad Politécnica de Madrid, Diciembre 2009 ; and García-Navarro J and others, «Estudio Precost&e»: evaluación de los costes constructivos y consumos energéticos derivados de la calificación energética en un edificio de viviendas situado en Madrid, Informes de la Construcción, Julio-Septiembre 2014.

¹⁸⁵ Office of the Deputy Prime Minister, Regulatory Impact Assessment Part L and Approved Document F, 2006, March 2006; Department for Communities and Local Government, Implementation Stage Impact Assessment of Revisions to Parts F and L of the Building Regulations from 2010, March 2010; and Department for Communities and Local Government, Changes to Part L of the Building Regulations 2013 - Impact Assessment, August 2013.

¹⁸⁶ See European Commission - DG Energy, Energy performance certificates in buildings and their impact on transaction prices and rents in selected EU countries – Final Report, 19 April 2013 (hereinafter 'Transaction Prices Study'). The study found a positive effect of higher EE standards on prices in Belgium

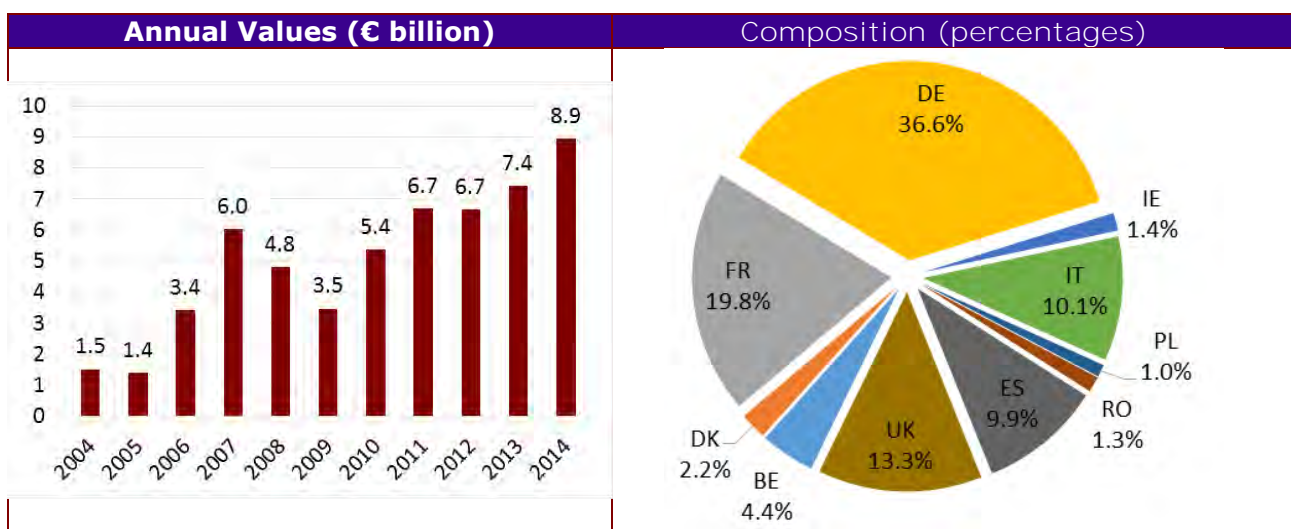
case of Romania and Poland, the estimated extra costs linked to EPB requirements are quite **modest, which per se facilitate their 'passing on' to home buyers.**

- In contrast, in the case of *Ireland, Spain and Italy*, there are indications that part of the extra costs linked to more stringent EPB requirements had to be absorbed by construction companies. In these countries the decline in construction activity was deeper and/or more prolonged, resulting in a stronger downward pressure on prices. These negative market developments were only marginally mitigated by government programs targeted at energy efficient new dwellings, that either did not exist (in Ireland) or were scarcely effective (**Spain's Plan de Vivienda and Italy's Plafond Casa**). Finally, with the partial exception of Ireland,¹⁸⁷ there is scarce evidence of home buyers willing to pay a premium for better energy performance. Under these conditions, it appears plausible to assume that, starting in 2008 (in Ireland and Spain) and 2010 (in Italy), construction firms were able to recoup only three quarters of the EE-related extra costs.

5.4.3 Results

Over the 2004 – 2014 period, the total value of the EE-related market for new buildings is **estimated at € 56 billion**. This corresponds to about 3% of the total new residential buildings output over the same period. With more than € 20 billion, Germany accounts for more than one third of the total market, followed by France (€ 11 billion, i.e. about 20%) and the UK (€ 7 billion, i.e. 13%).

Exhibit 5.2 EE-related New Buildings Market



Overtime, the value of the EE market shows a contrasted trend, with a growth until 2007, followed by a decline at the end of the 2000s, and by a recovery since 2010. The trend is the result of the interplay of two factors: (i) the overall evolution in the new building market; and (ii) the tightening of energy efficiency requirements. For instance, in France and Germany, the tightening of EE requirements combined with a recovery in the new buildings market, resulted in an overall growth since 2011. In contrast, in Italy and Spain, the effect of the progressive tightening of EPB is more than compensated by the drastic decline in the overall market, resulting in a negative trend.

and France, while results were negative for a local UK market (Oxford). However, other studies suggest the existence of a premium also in the UK. See Department of Energy and Climate Change, An investigation of the effect of EPC ratings on house prices, 17 June 2013.

¹⁸⁷ The Transaction Prices Study found a positive effects also in Ireland, but its magnitude was smaller than in other countries. This is confirmed by other studies, in particular Stanley S, R C Lyons and S Lyons, Price Effect of Building Energy Ratings in the Dublin Residential Market, Trinity Economics Papers - Working Paper No. 0415, June 2015.

Exhibit 5.3 Developments in the EE-Related New Buildings Market – France and Germany

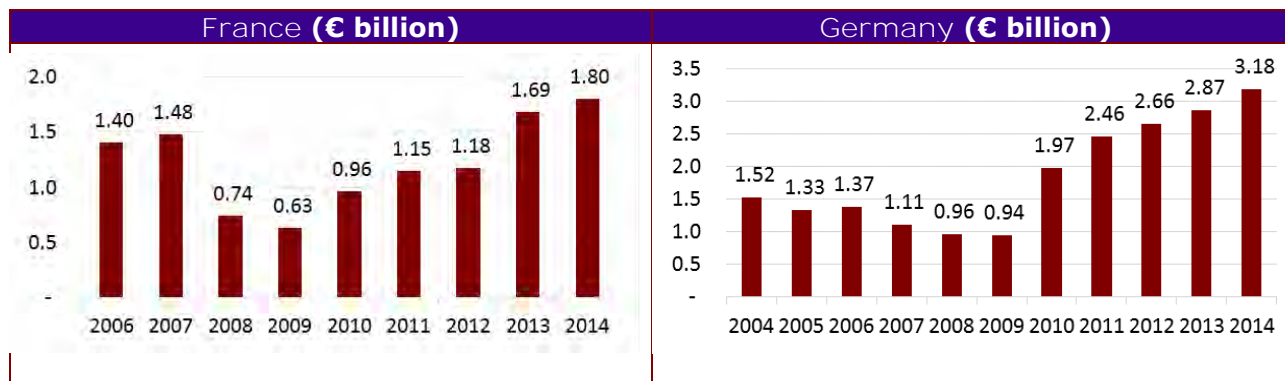
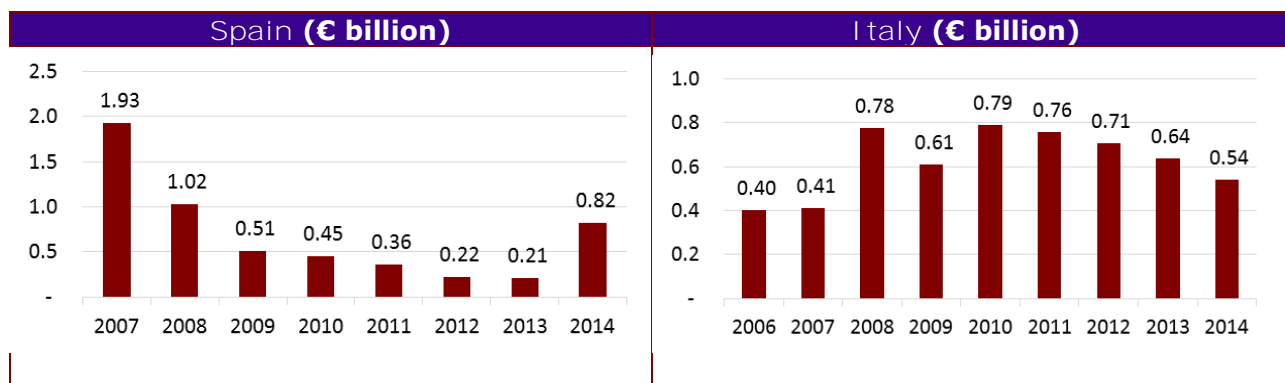


Exhibit 5.4 Developments in the EE-Related New Buildings Market – Spain and Italy



5.5 EE-related Market for Buildings Renovation

5.5.1 Introduction

The EE-related market for buildings renovations is defined as the value of the works and related goods and services utilised to upgrade the energy efficiency of dwellings.

There is little systematic information on the value of EE-related renovations and the analysis had to rely on a variety of sources. Comprehensive studies are available for only few countries and even in these cases there are at times discrepancies among the various sources. In most (though not all) the countries analysed the EE-related renovation activities are driven by government support programmes and, therefore, in certain cases the market was estimated based on data on the assistance provided. The information collected from stakeholders and firms was usually of limited use, as either they were not able to provide any quantification or the figures provided showed a wide range of variation, reflecting peculiar situations or distorted perceptions. Still, in few cases, information from interviews was the only one available forcing the Consultant to resort to fairly rough 'guess estimates'.

Two points are worth noting. First, irrespective of the sources, sometimes the EE-related market was estimated as a share of the total renovation market. In these cases, the total market value was computed by multiplying the estimated share by the total value of residential renovations taken from sector statistics. Second, the definitions of 'EE-related renovation' used by the various sources utilised sometimes differ. The main difference refers to expenditures for renewable energy sources, and in particular photovoltaic (PV) domestic installations, that are covered in some cases and excluded in others.

The sources of information utilised and the main findings for each of the ten MS analysed in detail are illustrated in the following paragraphs.

5.5.2 Country Analysis

Belgium. There are no studies on EE-related renovations in Belgium. Figures provided by construction firms invariably show a significant growth in the value of the EE renovation market (in some cases with a fivefold increase between 2009 and 2014), but coming from specialised operators, they overestimate the total market. The growth is confirmed by some real estate professionals, who grossly estimated the share of EE-related works accounted for some 15% of total renovation expenditures, up from about 10% in the late 2000s. Using these rough estimates and considering the total value of residential building renovations, the market for EE-related renovation was estimated at **€ 7.4 billion over the 2009 – 2014 period, with an annual average of € 1.2 billion.**

Denmark. There are no comprehensive studies on the market for EE-related renovations in Denmark. The national construction industry association estimates that EE-related renovations accounted on average for 35% of the total renovation market over the 2006 – 2014 period.¹⁸⁸ This estimate was discussed with some construction firms who, despite somewhat diverging views (for some it was too high, for others too low), on 'average' concurred with the assessment of the association. Considering the total value of residential building renovations, the market for EE-related renovations can be estimated at some **€ 32 billion, with an annual average of almost € 3.4 billion.**

France. In France, the market for EE-related renovation is monitored by the Agence de l'environnement et de la maîtrise de l'énergie (ADEME), through surveys carried out at regular intervals and special studies. According to the latest report published,¹⁸⁹ over the 2006 – 2014 period, the total value of EE-related renovations was **€ 116 billion, with an average of nearly € 13 billion per year.** These figures cover insulation, replacement of boilers and windows, as well as expenditure for ventilation and heating control systems. The estimate does not include expenditure for PV home systems, for which no separate figure is available, and therefore underestimate the actual market value. In 2013, the average value of renovation interventions was about **€ 4,140, with values of specific interventions ranging from little less than € 4,000 for heating system improvements and replacement of windows, to some more than € 10,000 for roof insulation interventions.** Compared with 2010, the average value of renovation interventions declined by some 9%.¹⁹⁰

Germany. Information on the value of the EE-related renovation market was taken from the reports published annually by DIW, which cover the period since the year 2010.¹⁹¹ Information on earlier years is provided in a study from a consulting firm.¹⁹² However, these data are not comparable with those of DIW due to major differences in the definition of 'EE-related renovation' and therefore could not be considered for the analysis. Therefore, according to DIW data, regarded as the most reliable source by all the stakeholders interviewed, the total value of the EE market over the 2010 – 2014 period was nearly **€ 188 billion, with an annual average of almost € 38 billion.** In 2014, the value of the average value of building renovation intervention was **€ 4,450, with a 12% decline compared with the corresponding value in 2010.**

¹⁸⁸ Dansk Byggeri, Byggeriets Energianalyse 2015, København, 2015.

¹⁸⁹ ADEME, Marchés et emplois liés à l'efficacité énergétique et aux énergies renouvelables: situation 2012-2013 et perspectives à court terme, November 2014. Data for 2014 are estimates. There are some discrepancies in the figures provided in different parts of the study. The figures presented here are from the tables presented on page 273.

¹⁹⁰ ADEME, Climat. Air et énergie 2014 – Chiffres Clefs, 2015.

¹⁹¹ Gornig M and others, German construction industry: refurbishment lacks momentum, new residential construction gets second wind, DIW Economic Bulletin 49, 2015.

¹⁹² Prognos, Ermittlung der Wachstumswirkungen der KfW-Programme zum Energieeffizienten Bauen und Sanieren, 8 March 2013.

Ireland. In Ireland, the main source of information on EE renovations is the Sustainable Energy Authority of Ireland (SEAI), which recently published a report covering developments since 2009.¹⁹³ Regarding the previous years, the value of EE renovations was estimated based on the funds disbursed by the government schemes operational at that time.¹⁹⁴ Overall, the total value of the EE-related market from 2006 through 2014 can be estimated at some € 1.5 billion, with an annual average of about € 170 million.

Italy. In Italy, developments in the building renovations market are monitored by the Parliament, to assess the influence of government support measures. According to the latest report published,¹⁹⁵ over the 2007 – 2014 period some € 25 billion were invested in EE-related renovations. However, this figure only refers to renovations benefitting from a scheme specifically targeted at EE-renovation and does not consider the effects of another scheme supporting 'general' building renovation. Once this aspect is taken into account, the EE renovation market is estimated to total € 48 billion for the 2007 – 2014 period, with an annual average of € 6 billion. In 2014, the average value of interventions supported by specific EE-related schemes was € 10,750, with a 9% decline compared with 2011.

Poland. In Poland, building renovation is driven by government incentives. Based on data from the national development bank, a recent study provided an assessment of the value of the EE-related renovation market for the 2006 – 2013 period.¹⁹⁶ The study does not cover investments in renewable sources, but this appears to be a minor omission, as most the funding provided to RES was not in the residential sector. Overall, the total value of EE-related renovations over the 2006 – 2014 period is estimated at 5 billion, with annual average of € 500 million.

Romania. There are no studies on EE-related renovations in Romania and little useful information could be retrieved from interviews with stakeholders and firms. As in Poland, EE-renovation is primarily triggered by support programs and therefore, the value of the market was estimated based on disbursement data concerning the main assistance schemes ('Warmth and Comfort' program, ERDF co-financed program, and EIB lending program for building renovation in Bucharest).¹⁹⁷ Overall, the total value of the EE renovations for the 2009 – 2014 period was estimated at € 366 million, with an average of some € 60 million per year.

Spain. Little is known about the value of EE-related renovations in Spain. The theme is dealt with in several studies, which however only speculate about the future market potential, providing virtual no information on the past and current situation.¹⁹⁸ The figures provided by the construction firms and professionals interviewed show major variations (from nihil to more than 80%), reflecting the interviewees' peculiarities, and therefore cannot be generalised. Under these conditions, EE-renovations were 'guess estimated' to account for 10% of the total renovation market in the years 2007-2012, with an increase to 15% in 2013-2014. Accordingly, the total value of EE-related renovations can be estimated at some € 16 billion, with an average of € 2.4 billion per year.

¹⁹³ Ricardo-AEA, *Ireland's Sustainable Energy Supply Chain Opportunity*, June 2014.

¹⁹⁴ Estimate, based on: (i) the value of the Warmer Houses grants disbursed; and (ii) the double of the value of the grants provided under the Greener Houses scheme. Data on grant disbursements are from the SEAI annual reports for 2006 through 2008.

¹⁹⁵ Camera dei deputati, *Il recupero e la riqualificazione energetica del patrimonio edilizio: una stima dell'impatto delle misure di incentivazione*, 8 October 2015. The analysis of the building renovation market is carried out by CRESME.

¹⁹⁶ BPIE, *Financing Building Energy Performance Improvement in Poland – Status Report*, January 2016.

¹⁹⁷ EIB, *The EIB in Romania in 2014*, undated (but 2015).

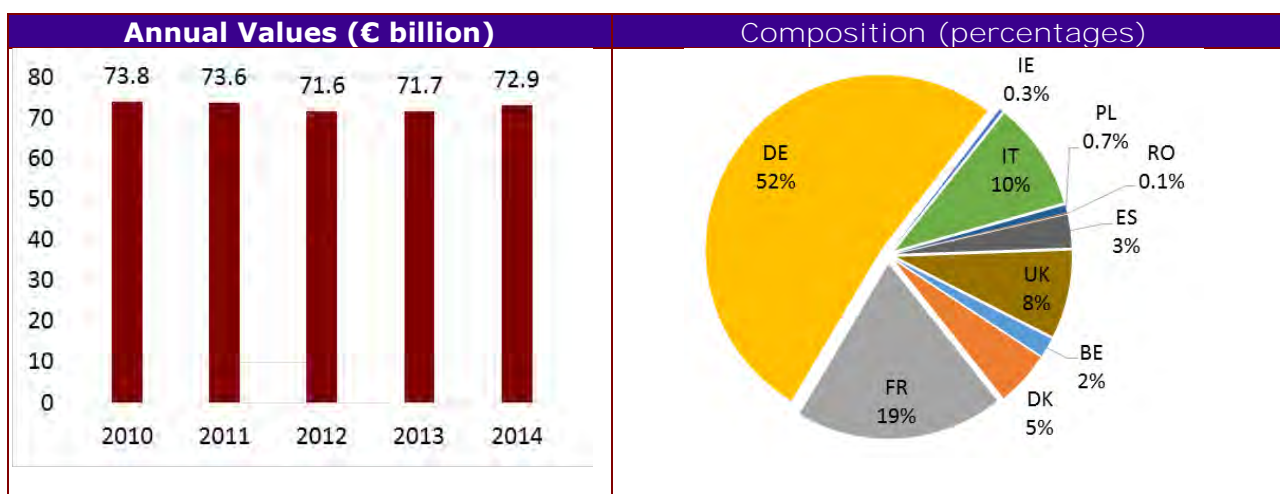
¹⁹⁸ See for instance, Asociación de Empresas de Eficiencia Energética, *Estudio sobre el Mercado de la Eficiencia Energética en España* (undated, but probably 2012); Grupo de Trabajo sobre Rehabilitación, *Strategy for Buildings Renovation - Keys to Transform Spain's Buildings Sector*, December 2013; and CEOE, *La rehabilitación de edificios como motor de crecimiento y empleo*, Septiembre 2014.

United Kingdom. In the UK, information on EE renovations is scarce, and the data presented in the few studies and government documents available are outdated and/or refer only to some market segments.¹⁹⁹ Therefore, the market for the main EE interventions (various types of insulation, replacement of boilers, doors and windows) was estimated on the basis of the annual number of installations and the average prices per installation, with data originating from the Committee on Climate Change and the Energy Saving Trust.²⁰⁰ Overall, the total value of the EE renovation market is estimated at € 39 billion over the 2008 – 2014 period, with an average of € 5.6 billion/year.

5.5.3 Results

Over the 2010 – 2014 sub-period, the only one for which data are available for all the ten MS, the total value of the EE-related renovation market is estimated at nearly € 364 billion. This accounts for about 23% of the total residential renovation market. With € 189 billion, Germany is by far the leading market, accounting for 52% of the total, followed by France (€ 70 billion, i.e. 19%) and Italy (€ 36 billion, i.e. 10%). Obviously, the ranking of countries largely reflects the total size of the market, but it is also influenced by the intensity of the EE renovation effort, with Denmark posting a value (€ 18 billion) that is more than 50% higher than that of Spain (€ 11 billion).

Exhibit 5.5 EE-Related Renovation Market – 2010 - 2014 (€ billion and percentages)



Annual figures are in the € 74 – 72 billion range, with a marginally declining trend from 2010 through 2013, with a partial rebound in 2014. However, this is the result of widely divergent trends at the national level. Developments were globally negative in Germany, where the EE renovation market contracted from some € 40 billion in 2014 to less than € 35 billion in 2010. This appears to be due to a decline in the renewable energy segment, as the reduction of government incentives led to a major decline in the value of RES installations. The decline in Germany is partly compensated by an increase in Italy, where the market grew from about € 6

¹⁹⁹ See for instance, Energy Efficiency Partnership for Homes, An assessment of the size of the UK household energy efficiency market, November 2008.

²⁰⁰ Data on installations for cavity wall insulation, solid wall insulation, loft/roof insulation and condensing boilers) were taken from Committee on Climate Change. Meeting Carbon Budgets – Progress in reducing the UK's emissions - 2015 Report to Parliament, June 2015. Average prices were calculated on the basis of information published by the Energy Saving Trust <http://www.energysavingtrust.org.uk/>. In the case of doors and windows, no data on installations could be located and the value of the market was estimated to average at £ 0.8 billion/year based on various press reports (e.g. <http://www.olympicglass.co.uk/Information/News/976-/Rising-demand-for-conservatories-and-glazed-extensions-in-the-UK> and <http://www.windowactive.com/domestic-replacement-market-returns-to-growth/>).

billion in 2010 – 2012 to nearly € 8 billion in 2014, largely in connection with the increase of tax deductions for EE interventions starting in mid-2013. In France, after the strong growth recorded in the late 2000s, over the 2010 – 2014 period the market increased only marginally, by some € 0.5 billion. Positive developments can be noticed also in Belgium and Denmark, but as the EE market was estimated as a fraction of the total renovation market, in these countries the trend is explained primarily by general market developments. The same applies to Spain, where the marginally declining trend until 2013 is due to a contraction in the general market, with a rebound in 2014. The UK constitutes a special case, as the globally positive trend started in the late 2000s, was interrupted in 2012 due to the problems encountered by the Green Deal programme, which led to drastic decline in the insulation segment (whose value passed from more than € 2 billion to € 0.5 billion, with only a partial recovery to € 1.2 billion in 2014).

Exhibit 5.6 Developments in the EE-Related Renovation Market – France and Germany

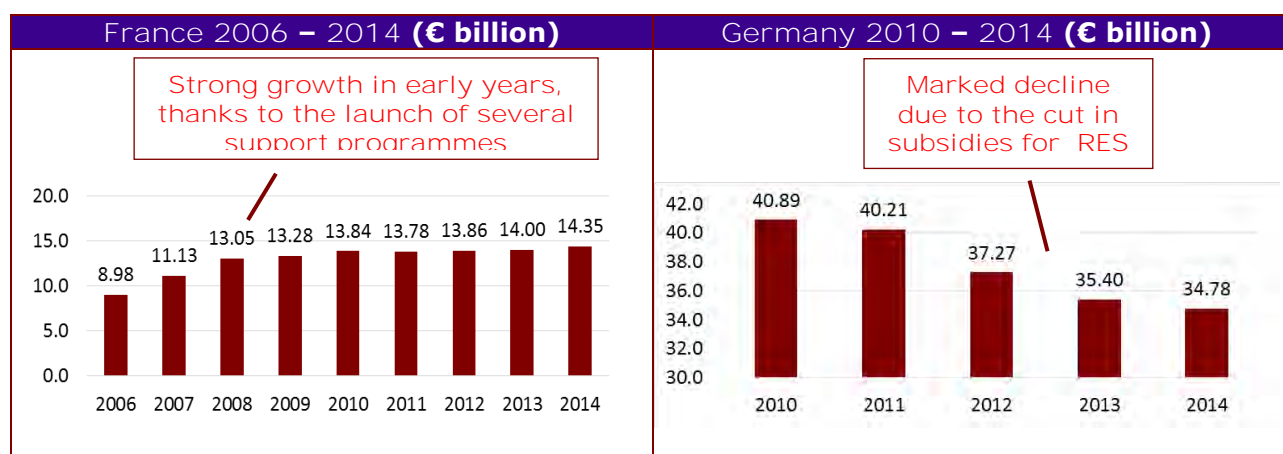
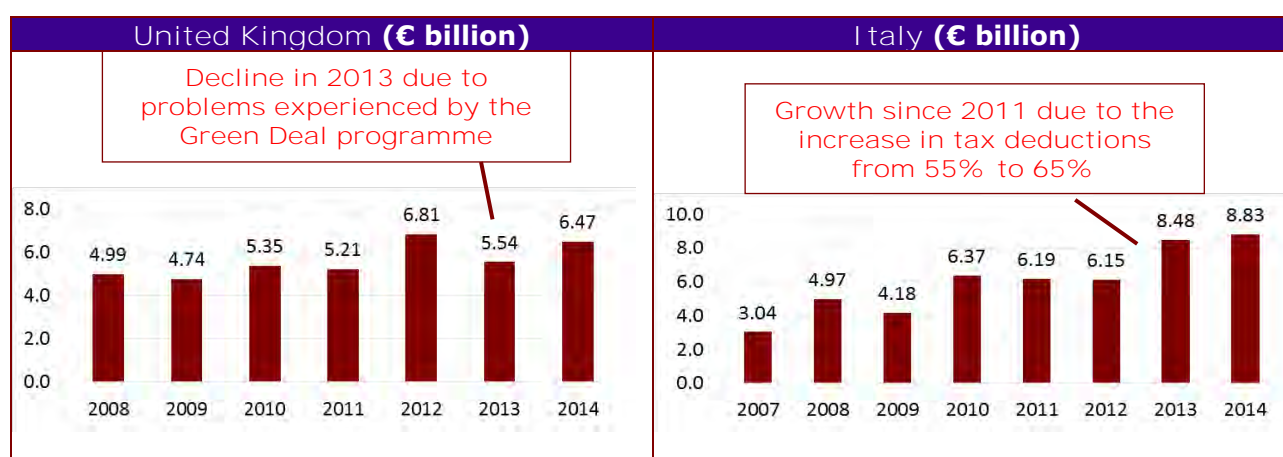


Exhibit 5.7 Developments in the EE-Related Renovation Market – United Kingdom and Italy



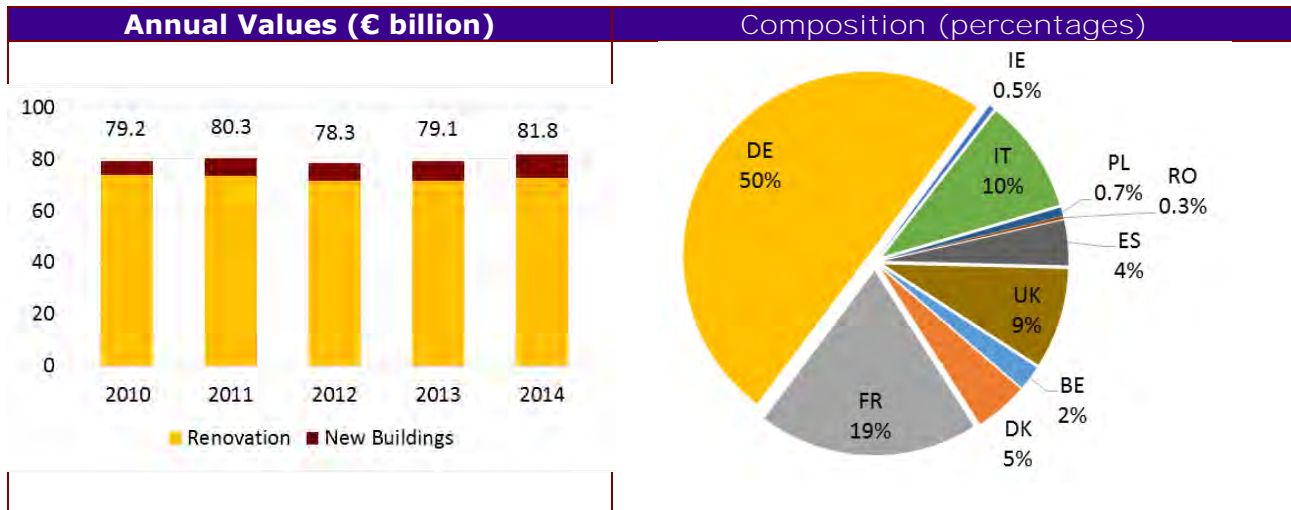
5.6 Overall Assessment

5.6.1 Cumulated Results

Based on the results presented in the preceding two sections, for the sub-period 2010 – 2014 for which there are comprehensive data, the total EE-related turnover for new and existing buildings is in the order of € 399 billion, of which about 91% (€ 364 billion) refer to renovation and € 35 billion (9%) to new buildings. Predictably, Germany is the country with the largest share, about 50% of the total, followed by France (19%) and by the UK and Italy almost at par, with respectively 10% and 9% of the total. The trend is somewhat oscillating, with annual values

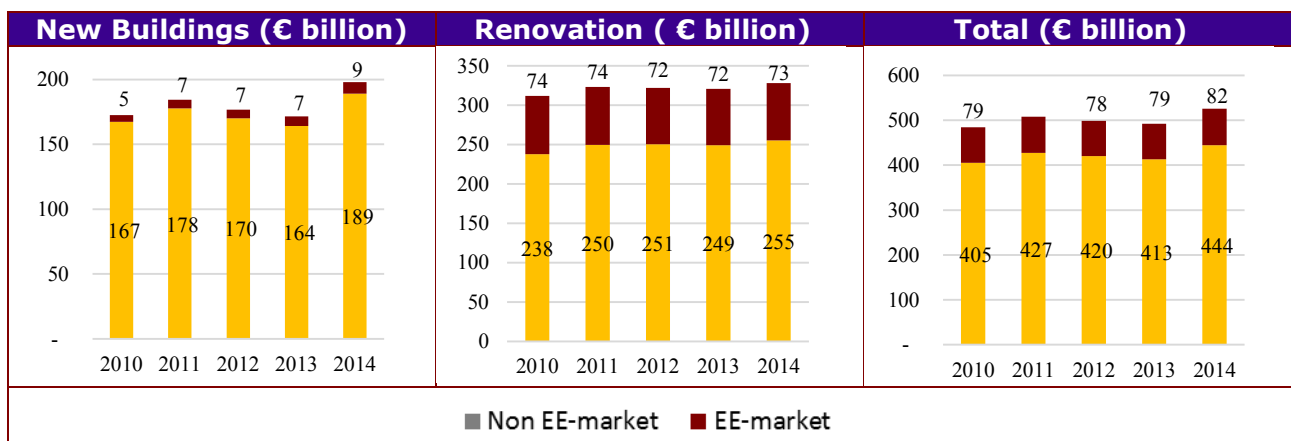
ranging between € 78 billion and € 82 billion per year. While renovation is always by far the largest segment, the share of turnover in the new buildings segment shows a clear upward trend, passing from some 7% in 2010 to about 11% in 2014. This result, however, is heavily influenced by developments in Germany which is one of the two only countries (the other being Spain) to record a decline in the value of EE-related renovations.

Exhibit 5.8 Total EE-related Market – 2010 – 2014



In relative terms, over the 2010 – 2014 period, the EE-related market accounts for about 16% of the total residential buildings market, a share that remained stable overtime. EE-related business is comparatively more important in renovation, where it accounts for about 23% of the total, again with little variation overtime. Instead, the share of EE-related business in new buildings, while minimal, is on the rise, passing from 3% in 2010 to 5% in 2014.

Exhibit 5.9 Comparison between the EE-related and the Total Residential Market – 2010 – 2014



5.6.2 Attribution Analysis

Introduction. The relative importance of EU legislation in generating the EE-related market cannot be neatly determined. The nature of the obligations imposed by the EPBD (and, whenever relevant, the EED and the RESD) upon MS is such that national authorities have a great degree of latitude. In particular, the progressive tightening of EPB requirements is indeed a requirement (albeit implicit, via the cost optimality mechanism) of EU legislation. However, EU legislation does not set any specific performance standards to be fulfilled by the building sector (e.g. in terms of total energy requirements or transmittance parameters for, say, windows) and this **prevents the establishment of an 'EU benchmark' (and the estimation of the associated EE market)** against which the performance standards actually adopted at national level (and the associated markets) could be compared. Similar considerations apply to the deployment of financial support measures. The establishment of these measures is indeed contemplated by relevant EU legislation. However, national authorities retain full autonomy in determining the nature, scale and intensity of these support measures and this prevents, again, the setting of **any 'EU benchmark' against which the situation in the various MS could be assessed.**

Under these conditions, the assessment of attribution becomes an eminently qualitative exercise, involving the consideration of the various factors at play, in order to achieve an assessment of the relative importance of EU legislation relative to national legislation and policy. As the quantification of the effects of EU legislation is at the core of this Study, the qualitative exercise was structured so as to provide a ranking of the influence of EU legislation, with the successive transformation of the ranking into a quantitative assessment. In operational terms, the assessment was based on a **five-level scale, ranging from 'very low' to 'very high', with a percentage value attached to each level of the scale.** In turn, such a percentage was used to measure the estimated contribution of EU legislation to a certain market (new buildings or renovation) in a certain MS over the 2004 – 2014 period (Exhibit 5.10). As in any other similar exercise, involving not only a precise rating of complex phenomena but also the transformation of ratings into quantitative results, the analysis is inevitably exposed to the risk of subjectivity.

Exhibit 5.10 Ratings for Attribution Analysis

Rating	Meaning	Corresponding share of relevant market
<i>Very Low</i>	EU legislation exerted a <i>marginal influence</i> on the factors driving the market developments compared with national legislation and policy	10%
<i>Low</i>	EU legislation exerted a <i>limited influence</i> on the factors driving the market developments compared with national legislation and policy	30%
<i>Medium</i>	EU legislation exerted a <i>medium influence</i> on the factors driving the market developments compared with national legislation and policy	50%
<i>High</i>	EU legislation exerted an <i>important influence</i> on the factors driving the market developments compared with national legislation and policy	70%
<i>Very High</i>	EU legislation exerted a <i>crucial influence</i> on the factors driving the market developments compared with national legislation and policy	90%

Rating Exercise. The rating exercise took into considerations various aspects that allow to gauge the possible contribution of EU legislation relative to national legislation and policy, namely:

- The influence exerted by EU legislation on the setting and/or tightening of EPB requirements, on the basis of the temporal and logical sequence of events (e.g. was a certain requirement set before or after the adoption of the EPBD?)

- The influence exerted by EU legislation in directing the attention of national authorities towards the theme of EE-renovation, again looking at the temporal and logical sequence of events (e.g. did country X adopted or tightened specific requirements for renovations in connection with transposition?);
- The extent to which the EE market is influenced by support programmes involving a **significant mobilization of government resources (i.e. supported with national taxpayers' money)**;
- The timing and the salient features of these support programmes (e.g. when were the support programmes conceived and deployed? To what extent they pursue objectives other than EE in building, such as supporting the construction industry in general or combating the **'grey economy' in construction?**);
- The presence and scale of EU-funded support programs (such as ERDF-funded programme, EIB lending schemes, etc.).

The results of the exercise are summarised in Exhibit 5.11 below, which for each country provides separate ratings for the new buildings and the renovation markets as well as a summary justification of the ratings.

Exhibit 5.11 Results of the Rating Exercise

Countries	Ratings		Comments
	New Buildings	Renovations	
<i>Belgium</i> ²⁰¹	Medium	Low	Limited influence of EPBD in Flanders, where works for the strengthening of EPB had started in the late 1990s (but no plans for ventilation). Greater influence in Wallonia and Brussels region. EPBD contributed to focus attention on EE renovation, but the most widespread support measure (VAT rebate) was conceived back in 2000 and without any connection with EE objectives.
<i>Denmark</i>	Very Low	Very Low	Long history of strict EPB requirements. Early focus on building renovation, with strict rules well beyond what envisaged in EU legislation (e.g. mandatory implementation of measures with short payback period).
<i>France</i> ²⁰²	Medium	Low	Regulations adopted in parallel with EPBD transposition, although preparatory works started well before (e.g. preparation of RT2012 began immediately after adoption of RT2005) at least partly as a result of domestic policy debate (Grenelle I and II). EPBD contributed to focus attention on EE renovation, but the market is highly dependent upon substantial budgetary allocations and some instruments are the evolution of pre-existing schemes (Prêt à taux zero and Eco-prêt à taux zero).

²⁰¹ Initially, a 'Low' rating was attributed in the area of New Buildings. The rating was increased to 'Medium' based on the comments received from the Construction Confederation, which noted that "EU legislation ... has an important impact on Belgian national policy" although "impacts remain limited for the renovation of existing buildings as the requirements are too high". See Construction Confederation, Validation Workshop – Fitness Check Construction Sector, 10 June 2016.

²⁰² Initially, a 'Low' rating was attributed for the New Buildings. The rating was raised to 'Medium' based on the comments received from the French authorities, which noted that the EPBD "a contribué à améliorer l'efficacité énergétique dans les bâtiments", also suggesting a closer link between the RT and the EPBD transposition process. See Note des autorités françaises, Paris, le 23 juin 2016. In principle, these

<i>Germany</i>	Low	Low	Limited influence of EU legislation on EPB requirements: the two key regulations in force during the period considered (EnEV2002 and EnEV2009) both pre date EPBD transposition (and minimum requirement for RES pre dates RESD). Requirements for EE renovations already present in EnEV2002. KfW programmes launched well before adoption of EU legislation and massive deployment of national funds.
<i>Ireland</i>	Medium	Low	Partial influence of EU legislation on the tightening of EPB requirements (building code revision of 2007 linked to Kyoto, and EPBD 2002 scarcely mentioned in the impact assessment, whereas EPBD Recast plays a greater role in subsequent building code revisions). EU legislation contributed to focus attention on EE renovation, but some provisions were already in the code. Publicly funded renovation programmes, also with social orientation.
<i>Italy</i>	High	Low	EPBD played an important role in modernizing EPB requirements that had remained largely unchanged since 1993, and the same applies to RESD regarding renewables. EU legislation also contributed to focus attention on EE renovation but the market is largely driven by public schemes, including one that has been in force since the 1990s.
<i>Poland</i>	High	Medium	EU legislation played an important role in strengthening EPD requirements, but the 2008 reform triggered by EPBD transposition was only partly successful. First measures to support EE renovation go back to the 1990s, pre dating EPBD. Limited amount of EU funding (ERDF financing mostly for RES in non-residential and slow disbursement of EIB loans).
<i>Romania</i>	Very High	Very High	EPBD played a major role in strengthening of energy requirements, including the renovation of existing buildings. EIB funding contributed to a significant increase in the volume of renovation works
<i>Spain</i> ²⁰³	High	Medium	EPBD played an important role in the adoption of the 2006 code, with tighter standards and introduction for the first time of provisions for EE renovations. Some support measures also linked to EPBD (PAEE) although the market is also influenced by other measures aimed at supporting construction activity in general.

comments also extend to Renovations. However, in this case the rating was left unchanged because of the major role played by national support programs in stimulating renovation interventions.

²⁰³ The rating for New Buildings was commented in a written contribution submitted by CNC, which noted that “[i]n relation to national legislation we would not say that the impact is undoubtedly high because for example we do not have a definition of what is a nearly zero energy building.” See, personal communication from Ms. Ángeles Asenjo, International Department Director of CNC, 7 June 2016. The point is certainly worth noting. However, as the Study covers the period up to 2014 and requirements for nZEB are expected to become effective at a later stage, the rating was left unchanged.

<i>United Kingdom</i>	Low	Low	Limited influence of EU legislation with the setting of reduction targets clearly influenced by domestic policy (and political) debate (Energy White Paper 2003, 2014 decision to lower level of ambition). The EE renovation market is mostly influenced by energy commitment schemes that were introduced already in the mid-1990s.
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It is worth noting that in the majority of the countries, the influence of EU legislation was found to be higher in the case of New Buildings than for Renovations. This finding was broadly confirmed by the views expressed by stakeholders during the Validation Workshop as well as in some subsequent written contributions. In particular, the comparatively greater role of EU legislation in the case of New Buildings was shared by EURIMA, Federation of European Window and Curtain Wall Manufacturers' Association (FAECF), Construction Confederation, FIEC, European Aluminium, and Danish Association of Building Experts, Managers and Surveyors. Dissenting views were voiced by the European Property Federation, according to which the role of the EPBD was very important also in building renovations, and by the Verband Beratender Ingenieure (VBI), according to **which the market for renovations "is driven since decades more and more by thermal comfort demands as a major quality of buildings and less and less by government incentives for renovations"**.²⁰⁴

Results – The Market Attributable to EU Legislation. The share of the EE-related market attributable to the EU legislation was computed using the percentages associated to the above mentioned qualitative ratings. Overall, making again reference to the 2010 – 2014 period, the **EE-related market attributable to EU legislation (the 'EU value') is assessed at little more than € 124 bln, of which € 108 bln for the renovation segment and € 16 bln for the new buildings segment**. Comparing these values with those presented in Section 5.6.1 above, EU legislation can be attributed about 31% of the total EE market, with a higher role for the new building segment (45%), and lower one for renovation (30%), in which national support programmes have a larger weight. When considering the overall residential market in the ten countries, EU legislation can be attributed some 5% of the total market, with a higher incidence in the renovation segment (almost 7%) and a marginal contribution to the new buildings segment (less than 2%).

Exhibit 5.12 Estimated Contribution of EU Legislation – 2010 – **2014 (€ bln and %)**

	EU Value	Value Attributable to National Policy and Other Factors	EU Value as a Share of the EE Market	EU Value as a Share of the Total Market
<i>New Buildings Market</i>	15.9	19.1	45.4%	1.8%
<i>Renovation Market</i>	108.3	255.3	29.8%	6.7%
<i>Total Market</i>	124.3	274.4	31.2%	5.0%

²⁰⁴ VBI, personal communication, 10 June 2016.

6. BUSINESS OPPORTUNITIES AND COSTS OF THE ENERGY PERFORMANCE CERTIFICATES

6.1 Introduction

This section discusses three of the cost and benefits items generated by the EPBD:²⁰⁵

1. Administrative costs linked to the obligation to obtain and display Energy Performance Certificates (EPC) of buildings (articles 11-13);
2. Substantive compliance costs to become a qualified or accredited expert for building certification (article 17);
3. New business opportunities linked to issuance of energy performance certificates (articles 11-16).

The analysis relies on the methodology for the estimation of effects presented in the Inception Report.²⁰⁶ As it will become evident below, construction companies, manufacturers, installers and professionals other than energy auditors are only lightly concerned by the EPC; the main effects of EPBD on these operators pass through energy efficiency requirements and support measures.²⁰⁷ For this reason, information on EPC could hardly be retrieved through interviews with firms, and this section relies on the following sources:

1. Primary information obtained through *interviews with trade associations, public authorities and other stakeholders*;
2. *Secondary sources*, including the Evaluation of the EPBD,²⁰⁸ the Open Public Consultation on the EPBD,²⁰⁹ the Concerted Action on EPBD (CA EPBD) and its publications,²¹⁰ the project ZEBRA2020,²¹¹ the BPIE study on national approaches to EPC,²¹² country specific databases, and market surveys.

In line with the scope of the Study, the evaluation of these items is done from the point of view of the construction sector, including in particular construction companies and professionals involved in the certification of building energy performance. Such a scope has two main implications: (i) costs and benefits falling on other subjects, such as building owners, tenants, or public authorities are not considered in the quantification; (ii) substantive issues linked to the working of the EPC framework, such as its quality and effectiveness, are not covered systematically, but only in relation to their effect on construction value chain operators.²¹³

The section is structured as follows:

- Section 6.2 presents in broad terms the legal framework whose effects are going to be assessed and quantified;
- Section 6.3 quantifies the administrative costs linked to the obligation to display energy performance certificates of buildings
- Section 6.4 assesses the substantive compliance costs to become a qualified or accredited expert for building certification;
- Section 6.5 quantifies the new business opportunities linked to issuance of energy performance certificates.

²⁰⁵ Cf. Section 1 above for the full list of regulatory effects.

²⁰⁶ Cf. Inception Report (Revised), 19 October 2015, at Section 4, in particular the sub-sections on substantive and administrative costs.

²⁰⁷ See Section 5 above

²⁰⁸ Ecofys (2015), Ex-post evaluation of the application of Directive 2010/31/EU, Final report for DG ENER. Hereinafter, EPBD Evaluation.

²⁰⁹ Ecofys (2015), Public Consultation on the Evaluation of Directive 2010/31/EU, Final synthesis report for DG ENER. Hereinafter, 'Open Public Consultation'.

²¹⁰ Available at: <http://www.epbd-ca.eu/> (last accessed on March, 2016).

²¹¹ Available at: <http://zebra2020.eu/> (last accessed on March, 2016).

²¹² BPIE (2014), Energy Performance Certificates Across the EU, A Mapping of National Approaches, hereinafter 'BPIE Study'

²¹³ For further information on these aspects, the ex post evaluation of the EPBD has been recently published. Cf. EPBD Evaluation and BPIE Study.

6.2 The legal framework

The EPC was introduced by the EPBD 2002. In certain countries or regions, such as the Netherlands, Denmark Germany, and certain parts of Austria, certificates on the energy performance of buildings had already been introduced before, though with a different format and different requirements.²¹⁴ The EPBD 2002 required that, when buildings or buildings units are constructed sold or rented out, an energy performance certificate is made available to the owner or by the owner to the prospective buyer or tenant.²¹⁵ Issuance and of EPC was also made mandatory for frequently visited buildings larger than 1000 m² occupied by public authorities.

Such a provision was then amended by EPBD 2010, by adding the following elements:

1. In case of rent or sale of buildings, including newly constructed ones, the energy performance indicator is to be displayed together with the advertisement;
2. The EPC shall include technically-feasible recommendations for the cost-optimal or cost-effective improvement of the energy performance of the building unless there is no reasonable potential for such improvement compared to the energy performance requirements in force;
3. The threshold for EPC display in frequently-visited public buildings was progressively lowered to 500 m² and then 250 m².²¹⁶

Concerning professionals issuing the EPC, the EPBD 2002 mandated that the certification of **buildings should be carried out 'in an independent manner by qualified and/or accredited experts'**.²¹⁷ The EPBD 2010 confirms this provision and requires that Member States make available a list of qualified and/or accredited experts providing building certification services.²¹⁸ Modalities for accreditation or certification, including minimum requirements, trainings and life-long learning have been defined at national or regional level.

6.3 Administrative costs linked to the obligation to display energy performance certificates of buildings

The costs for issuing and displaying the EPC can fall upon different subjects:

- 1) Owners, for existing buildings or building units put for sale or rent;
- 2) Project developers for new construction buildings;
- 3) Real estate agents (at least for the duty to display and supply the EPC) involved in the sale or rent of buildings or building units;
- 4) Construction companies, when they operate as both constructors and sellers of new buildings.

According to the scope of this Assignment, administrative costs falling upon construction companies are calculated here below. As such, only part of the EPC issued for new buildings are relevant, excluding those issued for rent, sale of existing buildings, or for frequently-visited public buildings.

To estimate these costs, the following parameters are needed:

1. Average price of EPC per country;
2. Number of EPC per country issued for new buildings;
3. Share of buildings sold directly by construction companies.

To a large extent, EPC prices are set on a market basis, and they depend on the size of the building as well as on whether it is a new or existing one.²¹⁹ Official regulation of the EPC price

²¹⁴ Cf. BPIE Study and CA EPBD.

²¹⁵ Art. 7 EPBD 2002.

²¹⁶ Art. 11-13 EPBD 2010.

²¹⁷ Art. 10 EPBD2002.

²¹⁸ Art. 17 EPBD2010.

²¹⁹ In general, EPC for new buildings are more expensive than for existing ones. Prices reported in Exhibit 6.1 refer to average prices. Cf. Santos P. and K. B. Wittchen (2011), The price of energy performance certificates, CA EPBD.

is in force only in 4 MS (Croatia, Denmark, Hungary, and Slovenia). In Exhibit 6.1 here below, **the range of prices for the 10 MS in scope of the study are presented, based on experts' estimation.**²²⁰

Exhibit 6.1 Average EPC prices

MS	Range
BE	Belgium €100 – 500 Wallonia : €200 – 450 Flanders: - apartment (if plans are available): € 120.79 - apartment (if plans are not available): € 138.24 - single-family house (if plans are available): € 158.30 - single-family house (if plans are not available): € 221.47
DE	€ 200 – 500
DK	€ 730 – 875
ES	€ 150 (apartments and small buildings) € 1200 (large: ~1000 m²)
FR	€ 100 – 250
IE	€ 99 – 300. Average value for semi-detached houses: € 165 Average value for apartments: € 156
IT	€ 50 – 450. Average value: € 120
PL	€ 15 – 120
RO	€ 50 – 150
UK	€ 50 – 90

Source: BPIE and national surveys

To estimate the number of new buildings, the number of completed houses the period 2010-2014 is retrieved from CRESME elaboration on Euroconstruct data (data are not available for Romania) and are shown in Exhibit 6.2 here below.²²¹

²²⁰ Cf. BPIE Study. Country-specific sources are used where available: for BE (Flanders), VEA (2014), Evaluatie van de energieprestatiecertificatieregeling; for BE (Wallonia), Record Bank (2013), Le Certificat PEB À La Loupe, available at: <https://blog.recordbank.be/fr/article/le-certificat-peb-%C3%A0-la-loupe> (last accessed on March 2016); for FR, ADENE (2015), Le Diagnostic de Performance Énergétique, available at: <http://www.ademe.fr/sites/default/files/assets/documents/guide-pratique-diagnostic-performance-energetique.pdf> (last accessed on March 2016); for IE, Competition and Consumer Protection Commission (2013), Do you need a Building Energy Rating (BER) Certificate?, available at <http://www.consumerhelp.ie/index.jsp?a=1005&n=475&p=121> (last accessed on March 2016); for IT, ProntoPro (2016), Certificazione Energetica: in Italia la spesa media è 120€, available at <http://press.prontopro.it/index.php/2016/> (last accessed on March 2016).

²²¹ Data on how many EPC refer to new or existing buildings are available for some countries. However, as shown in Section 6.3 below, data gaps exist both concerning the MS covered in this study and the years in scope of the analysis. For this reason, CRESME Elaboration on Euroconstruct series on the number of completed houses is used.

Exhibit 6.2 Number of new houses 2010 - **2014 ('000)**

MS		2010	2011	2012	2013	2014
BE	Family Dwellings	21	22.3	20.1	20.6	20.8
	Flats	23	24.2	22.3	23.8	26.3
	Total	44	46.5	42.4	44.4	47.1
DK	Family Dwellings	7.2	8.2	6.8	6.6	6.4
	Flats	4.7	4.3	9.9	8.5	7.2
	Total	11.9	12.5	16.7	15.1	13.6
DE	Family Dwellings	85.4	97	100.3	102.2	106.8
	Flats	54.7	64.2	76.3	86.2	109.3
	Total	140.1	161.2	176.6	188.4	216.1
ES	Family Dwellings	48	34	25	16	12.5
	Flats	192.9	123.4	90	48.8	34.3
	Total	240.9	157.4	115	64.8	46.8
FR	Family Dwellings	170	182	207.3	203.1	179.6
	Flats	146	154	206.9	231.8	232.4
	Total	316	336	414.2	434.9	412
IE	Family Dwellings	8.6	5.2	6	5.9	7
	Flats	2.1	1.3	0.8	0.7	1.8
	Total	10.7	6.5	6.8	6.6	8.8
IT	Family Dwellings	36.5	32.1	32.4	32.4	31.4
	Flats	164.6	126.7	101.5	86.3	72.2
	Total	201.1	158.8	133.9	118.7	103.6
PL	Family Dwellings	70.4	73.1	81.1	81.2	76.6
	Flats	65.4	58	71.8	63.9	66.8
	Total	135.8	131.1	152.9	145.1	143.4
UK	Family Dwellings	71.7	87.1	88	87.3	99.7
	Flats	57.8	47.1	47.9	42.7	40.6
	Total	129.5	134.2	135.9	130	140.3

Source: CRESME Elaboration on Euroconstruct Data

As discussed above, relevant costs are only those borne by construction companies, i.e. they refer to the case in which a constructor is also operating as developer and trader. Such operating modality is far from being the dominant modality in the real estate market: though it is more diffused in Southern countries, it represents a small share of total new buildings at EU level. Though data on the share of houses both built and sold by construction companies are not available, the following estimates are provided, based on evidences from stakeholders:

- 1) 30% of the new construction market for Italy;
- 2) 25% of the new construction market for Spain;
- 3) 20% of the new construction market for France;
- 4) 5% of the new construction market for all other MS.

Based on these assumptions administrative costs are calculated by multiplying the average prices,²²² the number of new completed houses, and the share of houses both built and sold by construction companies. As for the BAU factor, it is assumed to be 0%, meaning that construction companies would not adopt such a certification without a mandatory requirement. Hence, administrative costs and burdens coincide and are shown in Exhibit 6.3 below.

²²² Different prices for dwellings and apartment are used where available, i.e. for Belgium and Ireland; where price ranges are provided, the median point is used; for Belgium, Flemish median prices for apartments and dwellings are used. It is assumed that prices for certification of flat remains the same regardless of the number of units within the same building. Though, for large group of dwellings (e.g. residential complex) built by the same company, the price of the EPC may be lower due to high and to replicability of input data.

Exhibit 6.3 EPC administrative burdens for construction companies 2010 – 2014 ('000)

MS	2010	2011	2012	2013	2014
BE	€ 354	€ 374	€ 342	€ 359	€ 384
DK	€ 477	€ 502	€ 670	€ 606	€ 546
DE	€ 1,821	€ 2,096	€ 2,296	€ 2,449	€ 2,809
ES	€ 9,034	€ 5,903	€ 4,313	€ 2,430	€ 1,755
FR	€ 11,060	€ 11,760	€ 14,497	€ 15,222	€ 14,420
IE	€ 88	€ 54	€ 56	€ 54	€ 73
IT	€ 7,240	€ 5,717	€ 4,820	€ 4,273	€ 3,730
PL	€ 458	€ 442	€ 516	€ 490	€ 484
UK	€ 453	€ 470	€ 476	€ 455	€ 491
Total	€ 30,986	€ 27,316	€ 27,985	€ 26,338	€ 24,692

To finalise the quantification, the share of costs attributable to the EU level needs to be estimated. Out of the 10 MS covered in-depth by this Study, 8 of them have introduced mandatory energy performance certification for buildings only after the EPBD 2002. For them, the share of costs of EU origin is considered at 100%. In Denmark and Germany, some form of energy certifications had already been introduced before; for these MS, the share of EU costs is estimated at 50%, as the EPBD 2002 and then 2010 still had an impact on the coverage of the obligation, and the format and content of the certification. Administrative burdens of EU origin are shown in Exhibit 6.4 below. Across the five years for which data are available, total administrative burdens of EU origins amounted to €20 to €30 million per year.

Exhibit 6.4 EPC administrative burdens of EU origin for construction companies 2010 – 2014 ('000)

MS	2010	2011	2012	2013	2014
BE	€ 354	€ 374	€ 342	€ 359	€ 384
DK	€ 239	€ 251	€ 335	€ 303	€ 273
DE	€ 911	€ 1,048	€ 1,148	€ 1,225	€ 1,405
ES	€ 9,034	€ 5,903	€ 4,313	€ 2,430	€ 1,755
FR	€ 11,060	€ 11,760	€ 14,497	€ 15,222	€ 14,420
IE	€ 88	€ 54	€ 56	€ 54	€ 73
IT	€ 7,240	€ 5,717	€ 4,820	€ 4,273	€ 3,730
PL	€ 458	€ 442	€ 516	€ 490	€ 484
UK	€ 453	€ 470	€ 476	€ 455	€ 491
Total	€ 29,837	€ 26,018	€ 26,503	€ 24,811	€ 23,014

6.4 Substantive compliance costs to become a qualified or accredited expert for building certification

Here below, the substantive compliance costs linked to becoming a qualified or accredited expert for building energy performance certification are discussed. All these costs fall upon construction professionals, namely on those undertaking such activity. The following items are discussed:

1. Modalities for getting certification/accreditation in the 10 MS covered by the assignment;
2. Population, i.e. number of professionals accredited or certified in the 10 MS;
3. Price, i.e. cost for accreditation or certification.

Exhibit 6.5 below shows the minimum requirements for qualified and/or accredited experts in the 10 MS in scope of this assignment. The main and most immediate message is that accreditation and certification modalities vary widely across MS, and at country level it often depends also on the types of buildings to be accredited for and the professional background of the expert, as expected given the lack of binding provisions in the EPBD on this issue. More in detail:

1. As for minimum education requirements, they are not provided for in Denmark and the UK, where the system is competence based. Engineering degree is required in Spain, Romania, as well as in Belgium (only for non-residential buildings). Higher education is required in Poland (except for certified specialists) and France (only for non-residential buildings). Italy, Germany and Ireland require technical education (or equivalent training in the case of Belgium). This choice determines the remaining part of the accreditation and certification system: where there is no education requirement, certification and accreditation procedures are likely to be more demanding; where the education requirement is very strict (e.g. engineering degree), the certification and accreditation procedures are likely to be less demanding. Furthermore, in some countries (e.g. Germany, Italy), the higher the educational background, the less demanding the accreditation or certification procedure.²²³
2. With respect to professional experience, it is required in Denmark, France and Romania; in Germany and Belgium, it is necessary when the professional does not have a higher degree,
3. Training is mandatory in all countries, except from Spain and Poland, indeed two countries where an engineering or higher education degree is mandatory. In certain MS, it is mandatory only in case the professional does not have a higher education degree or other certifications, or for some categories of certifiers;
4. To obtain the accreditation or certification, exams are required in all countries, except, again, for Spain. Engineers or certain categories of accredited professionals are exempted in Germany, the UK, and in certain Italian regions;
5. Accreditation may be required or not, and the approach is very much MS specific: it may not be required at all, it may be granted based on exam results, on qualification, or on external certification (e.g. in Denmark and the United Kingdom);
6. With regards to renewal of the accreditation or certification, this is not required in Belgium (Brussels Region), Germany, Spain, Italy and Poland. Renewal is paper-based in Romania and Belgium (Flemish and Walloon Regions). In Ireland, renewal is linked to a bi-annual exam; in Denmark, France and the UK, renewal is linked to mandatory re-training, with a frequency varying from every 3 to every 10 years;
7. All MS, except for Germany, make available an official public list of certifiers and/or certifying companies; in Spain, Italy, and Belgium, the lists are available at sub-national level.

Exhibit 6.5 Overview of the minimum requirements for qualified and/or accredited experts

MS	Minimum education requirements	Prior Professional experience and/or additional training		Verification of experts' competences (i.e. mandatory exam)	Accreditation of the certifiers	Continuous Professional Development; renewal of the licence	Public availability of certifiers and/or certifying companies' lists
		Professional experience	Training (Mandatory or Voluntary)				
BE Brussels Region	Engineering degree required for the certifiers of non-residential buildings	Not required	Mandatory	Yes	Based on exam results	Not required [2]	Distinguished per type of existing buildings and for new buildings or renovations
BE Flanders	Engineering degree required for the certifiers of non-residential buildings	2 years of prior professional experience (if no engineering degree)	Mandatory	Yes	Based on exam results	Desk support for certifiers (i.e. FAQ, phone line)	Distinguished for existing residential buildings and public buildings

²²³ This conclusion concerns the 10 MS in scope of the analysis. Though, there are also EU countries where both an engineering degree and training are required.

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BE Wallonia	Engineering degree required for the certifiers of non-residential buildings	2 years of prior professional experience (if no engineering degree)	Mandatory (if no engineering degree)	Yes	Based on exam results	Desk support for certifiers	Distinguished for existing and new buildings
DE	Technical education required or relevant training	2 years of prior professional experience (if no engineering degree)	Mandatory (if no engineering degree)	Yes (if no engineering degree)	Not required [3]	Not required	Not required [5]
DK[4]	No minimum requirements, provided competence-based accreditation procedure	Required according to the type of certifier	Mandatory; additional training required as alternative to professional experience	Yes	Established by accredited companies (EN ISO 9001)	Mandatory training every 3 years	Distinguished per type of buildings
ES	Engineering degree	Not required	Voluntary	Not required	Not required [1]	Not required	List of certifiers provided by region/province
FR	2 years of relevant higher education required for the certifiers of non-residential buildings	1-3 years of prior professional experience (depending on the level of education)	Mandatory	Yes	Based on exam results	Renewal of accreditation every 5 years based on mandatory training	Distinguished per type of buildings
IE	Technical education required	Not required	Mandatory (for certifiers of residential buildings)	Yes	Based on exam results and professional certification (if certifier for non-residential buildings)	Renewal of accreditation based on mandatory exam every 2 years and support of certifiers: [6]	Distinguished per type of certifier
IT	Technical education required	Not required	Mandatory (if no professional certification)	Yes (if training required)	Depend on region: not required [1] or based on exam results	Not required	List of certifiers provided by region/province
PL	Relevant higher education required (except for certified building specialist)	Not required	Voluntary	Yes	Based on qualification	Not required	Distinguished per type of certifier
RO	Engineering degree required	3-5 years (depending on the type of certifier)	Mandatory	Yes	Based on exam results	Renewal of accreditation every 5 years (i.e. proof of experience)	Distinguished per type of certifier

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UK England, Wales and Northern Ireland	No minimum requirements, provided competence-based accreditation procedure	Not required	Depending on the type of certifier and accreditation	Yes (except in case of accreditation through APEL)	Based on exam results or Accreditation of Prior Experiential Learning (APEL) which is requested for certifiers of the most complex buildings	Mandatory training (minimum 5-10 hours of CPD per year)	Distinguished per type of certifier for residential buildings (Northern Ireland, England and Wales) or non-residential buildings (Northern Ireland, England and Wales)
UK Scotland	No minimum requirements, provided competence-based accreditation procedure	Not required	Voluntary	Yes (except in case of accreditation through APEL)	Based on exam results or APEL	Mandatory periodic training and desk support	Distinguished per certifier or company

Source: BPIE 2015

Notes: [1] Based on trade licenses; [2] Complementary training required for certifiers accredited before June 2014 in Brussels Capital Region; [3] Based on self-declarations of certifiers; [4] New provisions by the Danish Energy Agency concerning certifiers trained after October 4, 2014; [5] Multiple voluntary lists available; [6] The penalty point system for certifiers that may lead to loss of the license

While information on the modalities of accreditation or certification are comprehensive, data on the number of certifiers and the costs for such accreditation and certifications are not. Exhibit 6.6 below shows the estimated number of certifiers in the 10 MS covered in-depth by the Study. Statistics on number of annual registered certifier are hardly available, apart from some countries (e.g. Romania) or specific years. Furthermore there is a significant difference between the number of registered certifiers and the number of certifiers who have actually issued at least an EPC in the same year (as e.g. in the Flemish data, where the number of active certifiers is also detailed). Estimates, where possible, have been calculated based on the number of certifications issued each year and the average number of EPC issued by certifiers.

Exhibit 6.6 Number of certifiers per MS - estimated values in italics

MS	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
BE [1]		Start	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6,428	n.a.	n.a.	9,328
DE [2] [3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	28,000
DK [4]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	240	n.a.	249	260	n.a.
ES	<i>No exam or accreditation process required. List of certifiers publicly available only for some regions.</i>											
FR			Start	n.a.	n.a.	n.a.	4,000	n.a.	n.a.	9,700	n.a.	n.a.
IE			Start	n.a.	n.a.	526	n.a.	n.a.	n.a.	n.a.	n.a.	575
IT [5]			Start	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	71,822	n.a.
PL [6]						Start	7,000	n.a.	n.a.	n.a.	10,593	n.a.
RO			Start	127	214	247	397	696	892	1,146	1,386	n.a.
UK			Start	n.a.	n.a.	n.a.	n.a.	23,500	n.a.	n.a.	67,222	n.a.

Source: BPIE

Notes: Start: year of start of the EPC system; n.a.: not available; [1] Flanders and Wallonia; [2] The figure refers only to professionals (including architects and engineers) which have been appointed 'buildings energy consultant' (Gebäudeenergieberater) by the federal organisation of craftsmen (ZDH); available statistics does not define how many of them are also registered with KfW and BAFA support programmes, which currently include 13447 experts; [3] Statistics for 2015 include also certifiers of HVAC systems; [4] Data refer to accredited companies and not certifiers; before 2009 there were approximately 1000 experts in Denmark; [5] Data refer to 7 regions or provinces: Lombardy, Piedmont, Liguria, Emilia Romagna, Sicily, Valle d'Aosta, and the Province of Trento; [6] 2010 data refer to experts certified between January 2009 and September 2010.

Only anecdotal information is available on the cost of training. The BPIE study reports only some training costs, which represent only one of the steps of the accreditation/certification process. Training costs, as well as duration, vary from MS to MS, and also within MS across regions²²⁴. **Reported costs go from about €300 in Greece to €1,200 in Austria (for 5.5 days of training) and €1,600 in Estonia (for 10 days).** Due to high variability of such parameters, precise information on other costs and time spent by certifiers on this task cannot be retrieved. Given the relatively poorer data concerning the population of certifiers, the lack of data on the cost of the obligation, and the low priority of this cost item for the overall construction industry, Consultants consider that there is no sufficient ground to provide any tentative quantification.

6.5 New business opportunities linked to issuance of energy performance certificates

The EPC generate new business opportunities for both professionals and construction companies:

1. For professionals active in the market for EPC, new opportunities are represented by the revenues generated by the EPC, i.e. by the market size. Since our analysis takes into account the intra-value chain distributional effects, this amount needs to be lowered by the share of the market paid for by construction companies (as discussed in Section 6.3 above).
2. For construction companies and specialised construction service providers, the EPC may generate new business opportunities in two ways: (i) for new buildings and renovation works with improved energy efficiency performance (ii) by triggering additional renovations in existing buildings via the recommendations included in the EPC.²²⁵

With respect for professionals, the market size can be calculated by multiplying the number of EPC issued per country with the average price. Average prices in the 10 MS have already been reported in Exhibit 6.1 above. As for the number of EPC per country, data over the 2004-2015 period are reported in Exhibit 6.7 below. Data provided concern the number of EPC issued, including both new and existing buildings, public buildings, and both for rent and sale transactions; for all countries except Poland, at least one data point for one year is available. The sources are the EPC databases,²²⁶ provided by the ZEBRA2020 project or extracted directly from national sources. Additional information has been extracted from Concerted Action EPBD.

²²⁴ This is particularly the case for country like Italy where training courses and administrative costs vary considerably across the country as showed in "Prospetto 26" and "Prospetto 27" of the report on the status of implementation of EPC in Italy. Cf. CTI (2014), Rapporto 2014 - Attuazione della certificazione energetica degli edifici in Italia.

²²⁵ Though recommendations are not excluded for new buildings, they are of little practical uses and more often neglected, since it is expected that new buildings already comply with energy performance requirements.

²²⁶ EPC databases are part of the quality check process required by EPBD 2010. Since there are no specific requirements, MS are free to develop EPC databases according to national circumstances, and this has resulted in a wide spectrum of approaches. Cf. BPIE Study.

Exhibit 6.7 EPC issued in each year – estimated value in italics

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
BE [1]			4,565 Start	21,095	35,439	197,493	184,027	224,488	243,784	212,391	253,015	243,326
DE [2]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	321,996	438,416
DK [3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	61,201	51,502	64,078	n.a.	n.a.
ES [4]				Start	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	856,100	n.a.
FR [5]			Start	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	850,000	n.a.	1,098,979
IE			Start	127	3,794	97,054	93,134	109,441	77,696	108,537	119,982	106,005
IT [6] [7]			Start	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	419,650	1,246,567	n.a.
PL	<i>EPC become mandatory in 2009 but until 2012 there was no central register; data on issued EPCs are still not available</i>											
RO				Start	n.a.	n.a.	n.a.	n.a.	68,126	143,281	n.a.	n.a.
UK [8]				Start	1,644,816	2,242,496	1,763,677	1,573,807	1,556,675	2,107,068	2,300,009	1,865,165

Source: BPIE elaboration on ZEBRA 2020, CA EPBD, and own data.

Notes: Start: year of start of the EPC system; n.a.: not available; [1] Flanders and Wallonia, which correspond to more than 90% of the total stock of EPCs; [2] First EPC was issued in 2002, but registration of EPCs has been introduced as of 01.05.2014; [3] The EPC scheme has undergone a major revision in 2010 and a revised scheme has been published in 2011; [4] Registration of EPCs is responsibility of the Autonomous Communities; [5] 2014 data refer to the number of EPC issued refers to the period June 2014 – June 2015; [6] Before 2012, it was allowed to omit the certification of the building if its performance was in the lowest class (G) [7] 2013 data refer to 11 regions; [8] Number of EPCs regards only England and Wales which correspond to more than 90% of the total stock of EPC,

New business opportunities for professionals issuing EPC are calculated in Exhibit 6.8 below.²²⁷ To fill data gaps in the number of certificates per country, several options were considered. First of all, the number of EPC is not correlated only to the size of the construction market, since EPC are also issued for sale and rent of existing buildings and for frequently-visited public buildings. For this reason, data gaps were only filled for countries in which at least one data point is available, and only for the years following the first data point. Given the lack of good proxies, the data-fill rule is as simple as possible: EPC in year t+1 in Country A are estimated to be equal to EPC in year t. For Poland, no estimation was considered possible or realistic. As done for administrative burdens generated by EPC provisions, business opportunities of EU origin have been obtained by discounting by 50% values in Denmark and Germany, where energy performance certificates were required before the introduction of the EPC. In addition, as already anticipated, to take into account for intra-value chain distributional effects, those values are lowered by the amount of EPC paid for by construction companies (see Section 6.3 above).²²⁸ The market size, or, in other words, the revenues generated for EPC professionals, amount to €614 mln in 2014, the only year in which data for 9 MS are available. The steady amount is largely due to the increase of data coverage from additional MS, especially for larger MS, in 2013 and 2014, and should not be interpreted a sign of market increase.

²²⁷ Different prices for dwellings and apartment are not used; where price ranges are provided, the median point is used; for Belgium, Flemish prices are used.

²²⁸ From 2010 onwards, and with the exception of Romania, for which no data on new housing completion is available.

Exhibit 6.8 EPC: New **Business Opportunities of EU Origin for professionals ('000)**

MS	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
BE	-	-	€ 913	€ 4,219	€ 7,088	€ 39,499	€ 29,718	€ 37,414	€ 41,919	€ 35,291	€ 42,915
DE	-	-	-	-	-	-	-	-	-	-	€ 34,672
DK	-	-	-	-	-	-	-	€ 15,007	€ 10,634	€ 12,310	€ 13,594
ES	-	-	-	-	-	-	-	-	-	-	€ 121,395
FR	-	-	-	-	-	-	-	-	-	€ 72,643	€ 76,650
IE	-	-	-	€ 21	€ 626	€ 16,014	€ 13,602	€ 16,985	€ 11,698	€ 16,820	€ 18,345
IT	-	-	-	-	-	-	-	-	-	€ 36,114	€ 137,156
PL	-	-	-	-	-	-	-	-	-	-	-
RO	-	-	-	-	-	-	-	-	€ 6,813	€ 14,328	€ 14,328
UK	-	-	-	-	€ 115,137	€ 156,975	€ 123,457	€ 101,101	€ 99,573	€ 137,982	€ 151,906
Total	-	-	€ 913	€ 4,240	€ 122,851	€ 212,487	€ 166,777	€ 170,508	€ 170,637	€ 325,486	€ 610,961

With respect to new business opportunities for construction companies linked to EPC, those linked to new construction and renovation of buildings with better energy efficiency performance are already discussed at length in Section 5 above. With respect to benefits generated by recommendations included in the EPC, Exhibit 6.9 below shows the relevant features of the various national implementation modalities.

Exhibit 6.9 Content of recommendations included in EPC

	Type of recommendation	Forecasted Energy Performance	Recommendation for cost optimal improvements or cost effective	Estimates on payback period	Cost benefits over life cycle	Financing possibilities	Others
BE	Tailor-made and/or standardised	Yes	Yes	N.a.	N.a.	No	N.a.
DE	Tailor-made	Yes	Yes	Yes	Costs per saved kWh	No	Differentiation of proposed measure between "recommended as a single measure" or "as part of a major renovation"
DK	Tailor made	Yes	Yes	Yes	No	No	No
ES	Yes tailor made and/or standardised	-	No	No	No	No	N.a.
FR	Tailor made and standardised	-	It depends on the software used and data flows, but not required in the regulations	It depends on the software used and data flows, but not required in the regulations	It depends on the software used and data flows, but not required in the regulations	No, just link to website	Advice for eco-responsible use, definitions, link to website for more information
IE	Standardised	No	No	Short-medium-long	No	No	N.a.
IT	Tailor made	Yes	No	Yes	No	No	N.a.
PL	Standardised	Yes	No	No	No	No	No
RO	Tailor made (EPC building), standardised (EPC apartment)	Yes. Final energy, per services & cumulated	Cost effective	No	No	No	N.a.
UK	Different approach according to the country (England, Wales, Scotland or Northern Ireland)						

Source: BPIE Survey 2014 and additional exchanges with national experts.

In the period within the scope of our study, the conclusive data regarding new business opportunities generated by EPC recommendations are lacking. The stakeholders did not specifically mention effects from these recommendations. To the contrary, recommendations were sometimes criticised as '*being of little or no use*' or '*too general*'. The recent summary of the EPBD Open Public Consultation reports that '*recommendations [...] are neither tailor-made, nor part of a holistic plan for the building*', and this might have prevented the EPC to fulfil the role as a '*renovation accelerator*'.²²⁹ The EPBD evaluation considered the EPC not to have triggered more ambitious renovations or more renovations.²³⁰ All in all, the impact of EPC on the rate and depth of renovation is estimated by stakeholders to be limited.²³¹ Up until now the recommendations have therefore not been able to generate new business opportunities.

²²⁹ Consultation Report, at p. 7.

²³⁰ Evaluation Report, at p. 74.

²³¹ Consultation Report, at p. 34.

7. OTHER ENERGY EFFICIENCY MEASURES

7.1 Introduction

In section, other issues related to the energy efficiency policy area, namely to the EED, RESD, and EPBD are discussed, in particular

- Section 7.2 deals with the regulatory effects generated by the EED, and in particular: (i) new business opportunities linked to the 3% target for renovating central government buildings; (ii) new business opportunities linked to the increase in public demand for energy-efficient goods and services; and (iii) new business opportunities linked to the obligation for energy distributors to reduce their sales by 1.5%;
- Section 7.3 deals with the accreditation and certification of (i) inspectors of heating and cooling systems (EPBD); and (ii) RES installers (RESD);
- Section 7.4 deals with the impacts of energy efficiency provisions, in particular energy performance requirements and support measures, on construction product manufacturers.

7.2 The Energy Efficiency Directive

7.2.1 Introduction

The present sub-section explores the regulatory impacts of the EED on the construction sector, and more specifically of three items identified during the previous steps of the assignment²³² as possibly generating costs or benefits for construction operators, that are:

1. New business opportunities linked to the obligation to renovate the stock of existing public buildings, including the 3% target for central government buildings (articles 4 and 5);
2. New business opportunities linked to the increase in the demand for high energy efficiency goods and services (including construction) by public bodies (article 6);
3. New business opportunities linked to the increase in the demand for energy efficiency services associated to the obligation for energy distributors to reduce their sales by 1.5% per annum (article 7).

As item 1 was introduced by the EED and was not included in its predecessor,²³³ the provision only applies to one year out of those covered by the study, as it is applicable from January, 1st 2014. Item 2 was deeply amended by the EED, compared to the previous version;²³⁴ the new provisions had to be transposed into national legislation as of June 5th 2014. For these reasons, the effects are unfolding only now, and the likelihood of retrieving information was considered very low. Furthermore, those business opportunities are only relevant for the share of interviewees working, directly or indirectly, for the public sector. For this reason, information on these effects was retrieved via:

1. Primary information obtained through *interviews with trade associations, public authorities and other stakeholders*;

²³² Cf. Revised First Progress Report, 15 January 2016, at p. 11.

²³³ Directive 2006/32/EC of the European Parliament and of the Council on energy end-use efficiency and energy services and repealing Council Directive 93/76/EEC, hereinafter 'EED 2006'.

²³⁴ Art. 5 of the EED 2006 required MS to ensure that the public sector fulfilled an 'exemplary role' with respect to energy efficiency. This obligation included the duty to select at least two measures from a least of six, reported in Annex VI to the Directive. One of these measures concerned rental and purchase of energy efficient buildings.

2. *Secondary sources*, including the 2011 IA on EPBD,²³⁵ National Energy Efficiency Action Plans (NEEAP) submitted by the MS to the European Commission in 2014²³⁶, and the National Green Public Procurement (GPP) Action Plans (policies and guidelines).²³⁷

The situation is different for the obligation for energy distributors to achieve energy savings. Similar provisions were already included in the Energy Services Directive, though the EED introduced the quantitative mandatory target of 1.5% of annual savings. However, also in this case, early findings indicated that these provisions affected construction operators only in certain MS, and especially the installer segment. For this reason, those effects were not studied through firm interviews, but based on the following sources:

1. Primary information obtained through *interviews with trade associations, public authorities and other stakeholders*;
2. *Secondary sources*, including the national reports submitted in force of Art. 7 EED,²³⁸ and the Concerted Action EPBD (CA EPBD) and its publications²³⁹.

The sub-section is structured as follows

1. Section 7.2.2 analyses the impacts of the 3% renovation rate for public buildings;
2. Section 7.2.3 assesses whether new business opportunities arose from the obligation for public authorities to purchase energy-efficient goods and services;
3. Section 7.2.4 discusses the impacts of energy distributor obligations with regard to energy savings.

7.2.2 The 3% renovation target for public buildings

Art. 5(1) of the EED requires all Member States, as of 1 January 2014, to renovate (on a yearly basis) 3% of the total floor area of heated and/or cooled buildings owned and occupied by its central government. Such renovations have to be carried out in compliance with the Minimum Energy Performance Requirements (MEPR) set by national requirements set in line with Art.4 of EPBD. More specifically, Art.5 of the EED applies to buildings owned and used by the central government with a usable floor area over 500 m² and, as of July 2015, also with floor areas over 250 m². However, the 3% requirement may be opted out of, in case a MS decides to implement other cost-effective measures (e.g. energy audits, deep renovations, behavioural changes of occupants) leading at least to an equivalent amount of energy savings (Art. 5(6) EED).

While not implying any significant direct and/or indirect cost for industry, Art. 5 EED may instead generate benefits to firms involved in building renovations as well as to the entire construction value chain through an increased demand for renovation services. In fact, as the BAU energy-efficiency renovation rate is only 1.7%, the 3% target set in the EED could pave the way for new business opportunities. Such benefits are expected to decrease from 2015 onward as the total floor area not meeting the MEPR is likely to be gradually reduced.²⁴⁰

It is worth remarking that some 'alternative' measures under Art. 5(6) EED, such as deep renovations, might still imply construction and renovation works, thus leading to new business opportunities for the industry; nonetheless, actual benefits for the construction sector fully depend on the extent to which Member States have opted for other 'alternative' measures that

²³⁵ Commission Staff Working Paper – Impact Assessment, accompanying the Directive of the European Parliament and of the Council on energy efficiency and amending and subsequently repealing Directives 2004/8/EC and 2006/32/EC, SEC(2011)779. Hereinafter, 'EPBD IA'.
https://ec.europa.eu/energy/sites/ener/files/documents/sec_2011_0779_impact_assessment.pdf

²³⁶ <http://ec.europa.eu/energy/en/topics/energy-efficiency/energy-efficiency-directive/national-energy-efficiency-action-plans>

²³⁷ The National GPP Action Plans (policies and guidelines) document provides a comprehensive overview of the state of affairs in the 28 EU Member States with regard to Green Public Procurement. This document is available at: http://ec.europa.eu/environment/gpp/action_plan_en.htm (last accessed in March, 2016).

²³⁸ Available on the Commission's website, at <https://ec.europa.eu/energy/en/topics/energy-efficiency-directive/obligation-schemes-and-alternative-measures> (last accessed on March, 2016).

²³⁹ Available at: <http://www.epbd-ca.eu/> (last accessed on March, 2016).

²⁴⁰ EED IA.

do not involve construction and renovation activities (e.g. behavioural changes). In this respect, one industry associations highlighted how the choice not to implement the 3% renovation target significantly limited the impact of the Directive on the national construction sector. Member States that have chosen the 'default' approach should have made available to the Commission a complete inventory of heated and/or cooled central government buildings by 31 December 2013; conversely, in the case of 'alternative' approaches, they should have notified the 'alternative' measures by the same date. In the latter case, Member States should have reported an energy saving target rather than a target expressed in floor area to be renovated. In any case, while a building inventory was not mandatory for MS notifying 'alternative' measures, it was highly recommended in order to ensure the accuracy of the energy saving target itself. At the current date, 11 Member States decided to opt for the 3% renovation rate while 17 Member States opted for 'alternative' measures (Exhibit 7.1). As the implementation deadline of Article 5 was set to 1 January 2014, tangible effects are likely to have been produced only during the last year of the time horizon covered by the present Study.

Exhibit 7.1 Current status of implementation of Art. 5 EED

Default approach (i.e. 3% renovation rate)	Alternative approach
Bulgaria	Austria
Cyprus*	Belgium
Estonia*	Croatia
Greece	Czech Republic
Hungary	Denmark
Latvia*	Finland
Lithuania*	France
Luxembourg*	Germany
Romania	Ireland
Slovenia	Italy
Spain*	Malta
	Nederland
	Poland
	Portugal
	Slovakia
	Sweden
	UK

Source: *The Coalition for Energy Savings (2015)*.²⁴¹

Notes: in bold, MS covered in-depth by this Assignment;

*Member States that have officially notified the required inventory to the Commission

Default approach under Art. 5(1) EED

Among the sampled countries, only Romania and Spain adopted the 'default' approach under Art. 5 EED. Nevertheless, while Spain reports a complete list of all central government buildings with their floor area and Energy Performance Certificates (EPC), the Romanian inventory only provides aggregated information per group of buildings under the authority of one government body. More specifically, Spain officially notified the required inventory to the European Commission while Romania reported its inventory only in the NEEAP (Exhibit 7.2).²⁴²

²⁴¹ The Coalition for Energy Savings (2015) - Implementing the EU Energy Efficiency Directive: Analysis of Member States plans to implement Article 5. Available at: <http://energycoalition.eu/sites/default/files/20150520%20Coalition%20for%20Energy%20Savings%20-%20Article%205%20analysis%20Report.pdf> (last accessed in April, 2016).

²⁴² For Romania see: MDRAP (2015), Annex to Government Resolution No. 122/2015 for the approval of the National Energy Efficiency Action Plan, at p. 72 - Official Journal of Romania, Year 183 (XXVII) – No. 169 bis. Available at: https://ec.europa.eu/energy/sites/ener/files/documents/NEEAP%20Romania_en%20version.pdf (last accessed in April, 2016). For Spain see: Ministerio De Industria, Energia y Turismo (2014), - 2014–2020 National Energy Efficiency Action Plan, at p.102. Available at:

Exhibit 7.2 **Inventory of total floor area reported as Art. 5(5) EED ('000 m²)**

Country	Total floor area	3% annual renovation target in 2014
Romania	6,739.2	202.2
Spain	11,200.2	336.0
Total	17,939.4	538.2

Source: MDRAP and Ministerio De Industria, Energia y Turismo

In these countries, the size of the regulation-induced market stemming from Art. 5(1) EED can be estimated by multiplying the floor area under renovation in 2014 by the costs per m² to renovate such area. Estimates for costs of renovations in compliance with energy efficiency requirements are available on the ENTRANZE database of energy efficient technologies.²⁴³ In this respect, average renovation costs for Spain and Romania have been calculated as the average cost of 20 different energy efficiency interventions for a representative office building of 2,340 m² in Madrid and Bucharest respectively.

In this context, for Spain the total useful area, as of 1 January 2014, was equal to 11,200 thousand m² with a renovation obligation of 336.0 thousand m² in the same year. **Estimated costs for energy efficiency renovation are equal to €391.4/m². This leads to revenues for the construction sectors of €131.5 mln in 2014. To calculate the additionality of the 3% requirement over the normal renovation rate, the EU renovation rate of 1.7% is used;²⁴⁴ hence, the remaining 1.3% of renovations is attributed to the EED's renovation target. Accordingly,** the additional revenues for the construction industry deriving from the implementation of art. 5(1) EED in Spain amounted to some €57.1 mln in 2014. Nevertheless, according to industry associations, the impact of Art. 5(1) EED on the Spanish industry still remained limited so far.

In the same vein, the Romanian total floor area of 6,739.2 thousand m² under inventory required renovation works on 202.2 thousand m² in 2014.²⁴⁵ Estimated costs for renovation in Romania are equal to €251.1/m². Hence, in 2014 total revenues for the construction sectors from renovating buildings owned and used by the central government were equal to €50.7 mln and, applying a BAU renovation rate equal to 1.7%, €22.0 mln can be considered additional Art. 5(1) revenues.

Alternative approach under Art. 5(6) EED

The majority of countries within the sample have opted for the 'alternative' approach that should deliver at least the same amount of savings of the 'default' one (Art. 5(6) EED).²⁴⁶ As Exhibit 7.3

https://ec.europa.eu/energy/sites/ener/files/documents/2014_neeap_en_spain.pdf (last accessed in April, 2016).

Differently from Romania, Spain combines EPC with other energy indicators, such as kWh/m²/year.

²⁴³ These data are accessible at: <http://www.entranze.eu/pub/pub-optimality> (last accessed in March, 2016).

²⁴⁴ EPBD IA.

²⁴⁵ No information regarding the prospective energy savings was provided in the NEEAP.

²⁴⁶ Alternative measures are reported in the Notifications and/or in the National Energy Efficiency Plans (NEEAP) submitted to the Commission. For France see Ministry of Ecology, Sustainable development and Energy (2013), *Transposition de l'article 5 de la directive européenne 2012/27/UE relative à l'efficacité énergétique. Rôle exemplaire des bâtiments appartenant à des organismes publics. fiche de synthèse*, at pp.14-18. For Belgium see Belgian Energy Efficiency Action Plan According to the Directives 2006/32/EC and 2012/27/EU article 24.2 Annex XIV part 2, at p. 23. For the Brussels, Flemish, and Walloon regions see *Notification belge du rôle exemplaire des bâtiments appartenant à des organismes public. Conformément à l'article 5 de la directive Efficacité Énergétique 2012/27/EU* at pp. 26-28. For Denmark see Danish Energy Agency (2013), Notification to the Commission regarding Denmark's anticipated implementation of Article 5 of the Energy Efficiency Directive, at p. 3. For Italy see Ministry of Economic Development (2014), Application of Article 5 of Directive 2012/27/EU on the exemplary role of public bodies' buildings, at pp. 9-13. For Poland see Information for the European Commission on the alternative

shows, these measures appear to be highly variegated and not following a specific pattern. In addition, even when construction and/or renovation activities are involved (e.g. in case of deep renovations or building envelope renovations), the lack of information regarding the building area at stake does not allow to estimate benefits for the construction industry.

Exhibit 7.3 Alternative measures adopted by country under the Art. 5(6) EED

Alternative measures	Countries										
	BE (Federal Government)	BE (Brussels Region)	BE (Flemish Region)	BE (Walloon Region)	FR	DK	DE	IT	PL	IR	UK
<i>Behavioural changes</i>	x		x	x	x	x	x	x	x	x	x
<i>Deep renovations</i>				x				x			
<i>Building envelope renovations (e.g. insulation works)</i>			x	x	x	x		x			
<i>Technical systems renovations</i>			x	x	x	x		x			
<i>Renewable generation (e.g. installations and incentives)</i>	x			x				x	x		
<i>Office space rationalization and selling off</i>	x				x						
<i>Installation of EE technologies</i>						x					x
<i>Other(s)²⁴⁷</i>	x	x				x	x	x	x		x
<i>Expected annual savings (GWh)</i>	na	na	na	na	na	na	na	na	2.12	1.3	na
<i>Equivalent 2014-2020 cumulative savings (GWh)</i>	na	na	na	na	2,447	na	na	459	na	na	na

Source: NEEAP

All the sampled countries have notified behavioural changes as an alternative measure to be implemented. Interestingly, Ireland plans **to achieve equivalent savings through these 'softer' measures only and, more exactly, through the so-called 'Optimising Power @Work staff energy awareness campaign' managed by the Office of Public Works (OPW).**²⁴⁸ At the moment of the notification, **€9 mln in Government funding were already made available for the expansion of the programme, which has been running already since 2008.**

In Belgium competence for adopting energy efficiency measures is shared by the federal and regional government. For instance, the Brussels Region envisages the implementation of the PLAGE programme which declines energy savings targets within selected organizations,²⁴⁹ thus

approach adopted to implement Article 5(1)-(5) of Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (OJ L 315, 14.11.2012, p. 1), For Ireland see Department for communications, Energy and Natural Resources (2013), National Energy Efficiency Action Plan 2014, at pp.26-27. For Germany see 3rd National Energy Efficiency Action Plan (NEEAP) 2014 for the Federal Republic of Germany, at p.32. For UK see Department of Energy and Climate Change (2014), UK National Energy Efficiency Action Plan, pp. 32-34.

²⁴⁷ Other measures include investment contracts (Belgian Fed. Gov.), PLAGE programme (Brussels Region), operations and land use optimization (Denmark), ESB programme (Germany), energy saving funds and energy savings targets (Italy), support programmes to thermal modernization projects implemented by the National Fund for Environmental Protection and Water Management (Poland), support to projects for energy efficiency and renewable energy use in the public and housing sectors (Poland) and facility management (UK).

²⁴⁸ OPW will be responsible for delivering the target savings. Its duties include the management and **maintenance of the State's property portfolio.**

²⁴⁹ The organizations falling under the scope of the PLAGE Programme are indicated in the Annex V 4 of the COBRACE (*Code bruxellois de l'air, du climat et de la maîtrise de l'énergie*), namely: any company owning and/or occupying buildings on the territory of Brussels Region together representing a total area of over 100,000 m²; non-profit associations, international non-profit associations and foundations, owning and/or occupying buildings on the territory of the Brussels Region representing together a total area of over 100,000 m²; public powers owning and/or occupying buildings representing together a total area of 50,000 m²; federal, regional and European authorities owning and/or occupying buildings.

strongly relying on a principle of subsidiarity. Introduced in 2005, the PLAGE is a methodology working on a cyclic basis (i.e. every 5 years). During a first phase (year 1), the coordinator of the programme within the organization establishes an energy inventory for each building, selects priorities and establishes an action plan. This may contain diverse measures such as regulations **and small or heavy renovations to achieve the minimum target set in the Brussels' legislation.** These actions are meant to be implemented during the second phase of the cycle (2014-2010); between the first two phases and after the second one, an auditor controls both the action programme and the project implementation report. If necessary, penalties are applied to non-compliant organisations.

Deep renovations, technical systems and building envelope renovations are among the alternative measures that are more interesting for the construction sector. They have been adopted in France, Denmark, in the Flemish and Walloon Region as well as in Italy. In particular, the Italian Government established **a national energy fund of €380 mln in order to support such renovations.**²⁵⁰ In the same vein, as confirmed by several national stakeholders, renewable **generation promotion schemes for public bodies (e.g. the Italian "Conto Termico")**²⁵¹ are expected to positively impact the construction sector through the benefits accruing to energy auditors and installers.

To be sure, the specific impact of Art. 5 EED, in countries such as France and UK, might be difficult to disentangle from the effects of national provisions insofar as in those Member States compliance took place with measures already agreed upon and planned before the entry into force of the Directive.²⁵² **Similarly, Germany's effort to increase energy efficiency of buildings converged into the wider 2011's "Energy refurbishment roadmap for Federal Government properties" (ESB) aimed at reaching the Federal Government's energy objectives to develop a climate-neutral building stock.**

To conclude, it is worth highlighting that, under the 'alternative' approach, no guidance on timing is provided. In fact, even though the Directive clearly specifies that Member States opting for the alternative approach must notify their measures to the Commission by 31 December 2013, the same gives no indication on how the related savings should be temporally spread after this date. More specifically, savings should ideally follow a linear increase; however, the lack of detail in the current Guidance Document²⁵³ allows Member State to achieve them only at the beginning or at the end of the **2014-2020 period and this may be reflected in "stops-and-goes" policies** as well as discontinuous benefits for the construction sector. Furthermore, out of the 17 countries **that opted for the 'alternative' approach only five provided a clear estimate** of savings per individual action (only Ireland and Poland among MS covered in-depth) and only five calculated the equivalence with the default approach (only France and Italy among MS covered in-depth).²⁵⁴

7.2.3 Purchase of high efficiency goods and services (including construction) by public bodies

Article 6 of the EED requires Member States to ensure that central governments purchase or rent buildings with high energy-efficiency performance and compliant with the (non-exhaustive) list of standards contained in Annex III and in particular the MEPR set under Article 4 of the EPBD. The resulting procurement rules must be consistent with the principles of cost-effectiveness, economic feasibility, wider sustainability, technical suitability, and sufficient

²⁵⁰ However the National Energy Efficiency Fund could be used also for financing behavioural changes policies.

²⁵¹ **The "Conto Termico" provided incentives equal to €23.8 mln over the period 2013-2014 of which €3.6 mln to public administrations.**

²⁵² **Namely the "Grenelle de l'Environnement" and the "Greening Government Commitments" respectively.**

²⁵³ See Commission Staff Working Document - Guidance note on Directive 2012/27/EU on energy efficiency, amending Directives 2009/125/EC and 2010/30/EC, and repealing Directives 2004/8/EC and 2006/32/EC.

²⁵⁴ The Coalition for Energy Savings (2015) - Implementing the EU Energy Efficiency Directive: Analysis of Member States plans to implement Article 5. Available at: <http://energycoalition.eu/sites/default/files/20150520%20Coalition%20for%20Energy%20Savings%20%20Article%205%20analysis%20Report.pdf> (last accessed in April, 2016)

competition. By its very nature, Art. 6 EED is strictly connected to the Public Procurement Directives (Directive 2014/24/EU and Directive 2014/25/EU which replaced Directive 2004/17/EC and Directive 2004/18/EC) as well as to the 2008 Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan.²⁵⁵ This legislation, while not setting mandatory requirements and/or targets, clarify how awarding authorities can embed environmental considerations in their call for tenders; accordingly, the European Commission has developed EU common Green Public Procurement (GPP) criteria inviting authorities to include them into their tendering procedures. These criteria are not binding. Moreover, the Commission encouraged the adoption of National Action Plans (NAP) containing an assessment of the existing situation, ambitious targets for the following three years and a specification of what GPP criteria will be adopted. NAP are not legally-binding, but they are supposed to create awareness and help the process of implementing greener public procurement.

Implementation of GPP criteria in the construction industry

Interim results collected by the Commission show that energy efficiency requirements in public procurement are not fully understood by all agents and that the transposition of Art. 6 EED is not yet finalised in some countries.²⁵⁶ Exhibit 7.4 illustrates the different approaches followed by the sample countries in tendering procedures for construction and/or renovation works. It is worth stressing that, even without transposing Art. 6 EED, certain Member States might still be considered compliant with the rule insofar as they integrate GPP criteria (EU or national) in their public procurement procedures on a mandatory basis.²⁵⁷

Exhibit 7.4. Implementation of GPP criteria in the construction industry

Status for the construction industry	Countries													
	BE (Federal Government)	BE (Brussels Region)	BE (Flemish Region)	BE (Walloon Region)	FR	DK	DE	IT	ES	PL	RO	IE	UK	
Art. 6 EED transposed	x													x
Art. 6 EED under transposition									x					
Mandatory EU GPP criteria														
Mandatory National GPP criteria				x			x							x
Recommended EU GPP criteria						x				x			x	
Recommended National GPP criteria			x		x				x	x				
GPP criteria under development								x			x			
Notes		GPP criteria not adopted for constructions			Option to conclude Energy Performance Contracts						Draft law establishing GPP under consultation			

Source: Authors' elaboration on NEEAP²⁵⁸ and national legislation.

²⁵⁵ Communication from the Commission on the Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan. 16.7.2008, COM(2008)397.

²⁵⁶ See Communication from the Commission, Assessment of the progress made by Member States towards the national energy efficiency targets for 2020 and towards the implementation of the Energy Efficiency Directive 2012/27/EU as required by Article 24 (3) of Energy Efficiency Directive 2012/27/EU, COM (2015)574, at pp. 8-9.

²⁵⁷ A complete overview of criteria adopted by each Member State is available at: http://ec.europa.eu/environment/gpp/pdf/national_gpp_strategies_en.pdf (last accessed on March, 2016).

²⁵⁸ See note 246.

The UK transposed Art. 6 EED through a Procurement Policy Note, published on 3 June 2014,²⁵⁹ for which “[o]nly buildings that comply with the minimum standards that are set out in Annex 2 of [the] PPN may be purchased or rented”.²⁶⁰ For existing buildings, the exact EPC rating requirement, broken down by building type, is indicated; conversely “new buildings [...] will [...] automatically comply with the minimum energy performance requirements under Article 5(1) of the Energy Efficiency Directive”.²⁶¹ In the same vein, the Belgian Federal Government approved a Royal Decree which obliges central government offices to buy, rent, or establish real rights²⁶² only buildings conforming to the applicable MEPR.²⁶³

Other sampled countries only either mention Art. 6 EED in their NEEAPs or rely on GPP criteria in their public procurement procedures; however, in the latter case it has to be noticed that such criteria are rarely binding. For instance, the Romanian NEEAP states that public procurement of products, buildings and services will be carried out so as to ensure high energy efficiency by meeting the standards listed in Annex III of the EED and “by taking into account the return on investments and ensuring a loyal competition”;²⁶⁴ however, no GPP criteria has been developed yet, neither a NAP or equivalent document has been issued so far. Similarly, Spain is carrying out the necessary legislative process to be compliant with Art. 6 EED; however no binding rule has been approved during the time span covered by the Assignment.²⁶⁵ In Ireland EU GPP for construction are in the form of recommendations and this is also the case in Poland and Denmark.²⁶⁶ Italy envisages the implementation of Environmental Minimum Requirements which should extensively cover all the aspects of public procurement within the country.²⁶⁷ Nevertheless, only with the enactment of Law 221/2015, EMR have become mandatory for all procurement of goods, services, and works with end-use energy efficiency requirements.²⁶⁸ Moreover, this obligation is set just for central purchasing bodies at a national and regional level (e.g. CONSIP). More importantly, Environmental Minimum Requirements on construction, renovation, and maintenance of buildings have been developed after 2014.²⁶⁹ In a nutshell, as confirmed by Italian stakeholders, the uptake of green public procurement criteria in tendering procedures for renovation and/or construction works is still limited if not negligible so far, and the impacts of the 2015 legislative reform cannot yet be measured.

Finally, countries like Germany already complied with Art. 6 EED through existing legislation. In fact, the German Public Procurement Regulation already obliged all public contracting authorities, in Europe-wide calls for tender, to demand the highest level of energy efficiency and, where available, the highest energy-efficiency class when procuring goods that have a bearing on energy consumption. Energy efficiency must also be used as one of the evaluation criteria

²⁵⁹ Cabinet Office (2014), PPN 07/14 on implementing Article 6 of the Energy Efficiency Directive - Action Note 07/14 3 rd June 2014, at p.4.

²⁶⁰ Exceptions are buildings purchased for deep renovation, demolition, or for resale without being used for an In Scope Organisation’s purposes, or to preserve listed buildings

²⁶¹ It has to be noticed that, even though being extremely consistent with the energy efficiency principles, the Procurement Policy Note does not make any explicit reference to cost-effectiveness, economic feasibility, wider sustainability, technical suitability and sufficient competition, neither how these principles should be reconciled with energy efficiency considerations. UK envisages also the use of National GPP criteria which are mandatory only for centralised contracts.

²⁶² Thus expanding the scope of Art. 6 EED.

²⁶³ See Art. 8 of *Arrêté royal relatif aux exigences d’efficacité énergétique dans le cadre de certains marchés publics portant sur l’acquisition de produits, de services et de bâtiments* - 13 July 2014.

²⁶⁴ MDRAP (2015), Annex to Government Resolution No. 122/2015 for the approval of the National Energy Efficiency Action Plan, at p. 75 - Official Journal of Romania, Year 183 (XXVII) – No. 169 bis.

²⁶⁵ See Ministerio De Industria, Energia y Turismo (2014), - 2014–2020 National Energy Efficiency Action Plan, at p.108.

²⁶⁶ In Denmark a National Strategy on GPP is in force and an indicative political target of 50% of GPP exists; however the default rule is the recommendation (not the obligation) of EU GPP criteria where non-national criteria is developed. For more information see http://ec.europa.eu/environment/gpp/pdf/national_gpp_strategies_en.pdf at p.8

²⁶⁷ See Ministry of Economic Development (2014), Italian Energy Efficiency Energy Action Plan, § 3.3.4.

²⁶⁸ At least in technical specifications and contract performance clauses. This obligation covers the overall tender value.

²⁶⁹ Just Environmental Minimum Requirements regarding energy services for buildings already existed.

when determining the most economical bid.²⁷⁰ Additionally to these obligations, the Unfair Competition Act (*Gesetz gegen Wettbewerbsbeschränkungen*) called specifically for energy-efficient procurement in Part A for Construction and in Part A for Services.²⁷¹

To conclude, the adoption of MEPR in public procurement rules regarding buildings is fragmented and still lagging behind in several countries included in the sample. Even in countries where full transposition of art. 6 EED has taken place, the actual impact on the time frame covered by this Study might have been limited. In this regard, it is worth remarking that potential benefits most probably will accrue in coming years, especially when considering that the Directive applies to call for tenders issued after 5 June 2014 and that public tenders usually require several months to be awarded and years to be completed. In addition, the analysis above shows that Art. 6 EED overlaps with others EU Directives and this makes it more difficult to disentangle the benefits of the EED from those stemming from other EU rules or generated by national legislation.

7.2.4 Obligations for energy distributors to achieve energy savings

Article 7 of the EED requires MS to set up an energy efficiency obligation scheme, ensuring that energy distributors and retail companies (**cd. 'obligated parties'**) **reduce the sale of energy, by volume, at least by 1.5% per year**. Broadly speaking, the savings are to be obtained by reducing the energy consumption of final users, including both households and industrial customers. However, MS can opt out from this provision and choose from a list of alternative policies, demonstrating that they obtain the same energy savings as the 1.5% reduction. Alternatively, under Art 7(9) Member States can adopt other policy measures to achieve an equivalent amount of energy savings, or can use both an obligation scheme and alternative measures. This provision, as the entire EED, is to be transposed by June, 2014. A provision with a similar scope and aim was included in article 6 of the Directive on end-use of energy. However, it included voluntary agreements as opposed as to mandatory targets.

Among the 10 MS in the scope of the analysis, only two countries have completely opted out from setting up an energy efficiency obligation scheme for distributors and retail companies, namely Germany and Romania; in Spain, the government expressed the intention to establish such a scheme but still has not done so. In all other MS, schemes were set up (including by regional governments in Belgium), to at least partly achieve the article 7 targets. Usually, these schemes are then complemented by other alternative policies, which contribute to achieving the mandatory savings.²⁷² In six MS (Denmark, France, Ireland, Italy, Poland, and UK), these schemes have switched from voluntary to mandatory measures over the recent years, and in particular following the adoption of the EED.²⁷³ Obligated parties have to either contribute to the funding of these schemes, or implement energy saving measure themselves. In several cases, the duty to implement energy-efficient measures is coupled with a market for so-called **'white certificates', i.e. tradable certificates corresponding to a certain amount of energy saved**.²⁷⁴ The redemption of these certificates, based on the projects undertaken, allows obligated parties to comply with their obligation; in case the energy saved is lower than the mandatory target, certificates can be bought on the market (or a penalty is imposed – the two options being financially equivalent for the company). All in all, article 7 obligation schemes are estimated to generate about one third of the whole EU energy savings, as identified in the NEEAP.²⁷⁵

Where schemes require energy distributors and retailers to undertake energy savings actions, great attention is paid to small refurbishments in existing buildings, and in particular to heating systems, especially boilers, other building systems, such as ventilation and air-conditioning, windows, and insulation are among the most common measures. These interventions are

²⁷⁰ See section 4(4) to (6) of the Vergabeverordnung – VgV.

²⁷¹ See 3rd National Energy Efficiency Action Plan (NEEAP) 2014 for the Federal Republic of Germany, at pp.25-26.

²⁷² Cf. Art. 7 National Reports.

²⁷³ CA EBPD (2016), Implementing the EPBD featuring country reports, at p. 100.

²⁷⁴ E.g. in France, Italy, and the UK.

²⁷⁵ *Ibid.*, at p. 101.

explicitly mentioned in the article 7 reports of e.g. Belgium, Ireland, and Denmark. Indeed, such interventions in existing buildings are deemed to be cost-effective, and energy distributors and retailers are already in contact with end users for marketing and billing reasons, and hence have the means and capacity to propose small-scale improvements. Furthermore, these interventions can be standardised and the expected energy saving easily estimated. Other areas of intervention not relevant for the building sector include lighting and projects for the efficiency of industrial processes.

Where energy obligations of this kind were imposed on energy companies, this resulted in new business opportunities for the construction sector, in particular for installers of building systems (especially heating) and windows, and to a lesser extent for construction operators, in case of insulation works or other larger interventions. Information on the market effect of article 7 schemes could be retrieved for three countries, i.e. France, Italy, and the UK. The information refers to 2014, which is the year when the EED entered into force.

1. In France, **88% of article 7 energy savings were obtained via the 'Certificats d'économies d'énergie'**, i.e. the obligation schemes for energy distributors and traders. Those **certificates foresee a penalty equal to €0.02 for kWh of missed saving. This price can be considered as the maximum value of those certificates (i.e. an obligated party will undertake savings that cost less than €0.02/kWh, or rather pay the fine).** In 2014, **11.2 TWh of savings were certified, amounting to €224 mln. 90.1%, that is about € 202 mln,** were invested in interventions on existing buildings, especially interventions on heating systems and building envelopes.²⁷⁶ Based on these schemes, large French energy companies set up networks of operators: the energy operator sells energy-efficiency interventions to its customers, who can pay in instalments via the energy bills, and has its partner craftsmen carrying out the intervention on its behalf. For example, EDF set up the *Blue Ciel* platform,²⁷⁷ in which more than 4,000 French artisans, mainly installers, take part. While these networks create business opportunities for small craftsmen, EDF obviously enjoys a higher bargaining power, and is thus able to demand access requirements, fees, and other service requirements. French artisans are reportedly gladly participating in these networks, because of the business opportunities and because they can reach to EDF network of customers.
2. In Italy, energy distributors and traders participate in the '*Certificati Bianchi*' scheme. In **2014, more than 7.5 mln white certificates were issued, with a value of about €830 mln.** Small-scale interventions, in particular in heating and hot water systems, and interventions on the building envelope accounted for about 16% of this value, i.e. about **€130 mln. The most common standard interventions include wall insulations, the substitution of boilers, and other improvements of the heating and cooling systems.** Also in Italy, large energy companies try to leverage on their commercial and financial capacity **and customers' knowledge to sell energy-efficiency interventions in building.** Previously, the Italian legislation had prevented energy distributors from carrying out installation activities to avoid unfair competition and economic dependency. However, the provision was found in breach of the EU treaties. Since then, large companies, e.g. Enelenergia, have been offering energy-efficiency interventions to their customers.²⁷⁸
3. In the UK, several company obligation schemes required energy operators to achieve **energy savings via interventions in households' and other buildings (e.g. the Carbon Emission Reduction Target and the Community Energy Saving Program).** In 2013, these programmes were replaced by two new initiatives, the Green Deal programme and the

²⁷⁶ Cf. **Gouvernement Français (2015), Rapport annuel 2015, dû au titre de l'article 24 de la Directive Efficacité Énergétique (DEE);** and cf. Art. 7 Report – France.

²⁷⁷ <http://travaux.edf.fr/construction-et-renovation/les-partenaires-bleu-ciel-d-edf> (last accessed on March, 2016). Another network managed by EDF is Synerciel (<http://www.synerciel.fr/>), encompassing 1,800 construction professionals, which participate to the capital of a joint stock company.

²⁷⁸ <https://www.enelenergia.it/mercato/libero/it-IT/casa/energia-intelligente> (last accessed on March, 2016).

Energy Company Obligation. In 2014, under the various programmes the following interventions were financed: (i) 320,000 cavity wall insulations; (ii) 60,000 solid wall insulations; (iii) 220,000 loft insulations; and (iv) 1,510,000 interventions on boilers and heating systems.²⁷⁹

In conclusion, energy efficiency obligations for energy traders and distributors may represent a source of business opportunities for construction companies, and especially installers, as energy companies are very likely to suggest small-scale interventions to their residential customers, leveraging on their financial capacity and customer relationship. Even in MS where these programmes were not specifically targeted to the building sector, a significant or prevailing share eventually involved the stock of existing houses, especially with regard to heating systems, windows, and insulation. These benefits, however, can only partially be attributed to the EU framework because of at least two reasons:

1. Some of these requirements for energy traders and distributors existed before they became obligatory under the EED;
2. They are strongly dependent on the implementation modalities chosen by the MS, including the possible focus on small-scale interventions in buildings.

7.3 Accreditation and certification of inspectors of building systems and RES installers

7.3.1 Introduction

The present sub-section explores two cost items which are relevant for a segment of the construction value chain, i.e. installers:

1. **A cost item generated by the EPBD (art. 17), that is 'substantive compliance costs to become a qualified or accredited expert for system inspections (initial and continuous training, software licence, audit by administrations)';**
2. **A cost item generated by the RESD (art. 14(3)), that is 'substantive costs for the installers of renewable energy systems to meet requirements of certification or equivalent qualification schemes'.**

The above-mentioned cost items are assessed based on:

1. Primary information obtained through *interviews with installers*;
2. Primary information obtained through *interviews with trade associations, public authorities and other stakeholders*;
3. *Secondary sources*, including the evaluation of the EPBD,²⁸⁰ the mid-term evaluation of the RESD,²⁸¹ the Concerted Action on EPBD (CA EPBD) and its publications,²⁸² the Concerted Action on RESD (CA RESD) and its publications,²⁸³ and the Impact Assessment of the EPBD.²⁸⁴

In line with the scope of the Study, the evaluation of these items is carried out from the point of view of construction sector operators, in this case installers. As a result, the following aspects are not discussed below: (i) costs and benefits falling on other subjects, such as building owners, tenants, or public authorities;²⁸⁵ (ii) substantive issues linked to the EPBD framework, and in

²⁷⁹ Committee on Climate Change (2015), Meeting Carbon Budgets – **Progress in reducing the UK's emissions** - 2015 Report to Parliament. No data is available concerning interventions on windows, also eligible under the programmes. Cf also. Rosenow, J. and N. Eyre (2014), **Re-energising the UK's approach to domestic energy efficiency**, ECEEE Summer Study Proceedings, pp. 281-289.

²⁸⁰ Ecofys (2015), Ex-post evaluation of the application of Directive 2010/31/EU, Final report for DG ENER. Hereinafter, 'EPBD Evaluation'.

²⁸¹ CE-Delft (2015), Mid-term evaluation of the Renewable Energy Directive, A study in the context of the REFIT programme, report for DG ENER. Hereinafter 'RESD Evaluation'.

²⁸² Available at: <http://www.epbd-ca.eu/> (last accessed on March, 2016).

²⁸³ Available at: <http://www.ca-res.eu/> (last accessed on March, 2016).

²⁸⁴ Commission Staff Working Paper – Impact Assessment, accompanying the Directive of the European Parliament and of the Council on energy efficiency and amending and subsequently repealing Directives 2004/8/EC and 2006/32/EC, SEC(2011)779. Hereinafter, 'EPBD IA'.

²⁸⁵ For further information on these aspects, cf. EPBD Evaluation.

particular the working of the inspection regime; and (iii) substantive issues linked to the RESD framework, and in particular the uptake of RES in buildings.

The sub-section is structured as follows:

- Section 7.3.2 focuses on the costs for becoming a qualified or accredited expert for system inspections;
- Section 7.3.3 deals with the costs incurred by RES installers to obtain a certification or an equivalent qualification;

7.3.2 Accreditation and certification of inspectors of building systems

Articles 14 and 15 of the EPBD 2010 state that both heating and air-conditioning systems with an effective rated output over a certain threshold²⁸⁶ shall be subject to regular inspections of their accessible parts. Similar provisions were already included in the EPBD 2002 in articles 8 and 9,²⁸⁷ and were to be implemented as of January 2009.²⁸⁸ MS can opt out from the provisions on inspections and introduce other measures with an equivalent impact.²⁸⁹ As a consequence, 13 MS introduced alternative approaches for heating systems, and 7 for air-conditioning systems.²⁹⁰ Among the MS covered by this Study, Ireland opted for alternative measures for both cooling and heating inspections, while France, Denmark,²⁹¹ Germany, and the UK opted for alternative measures for heating inspections.

Article 17 of the EPBD 2010 requires that these inspections are carried out 'by qualified and/or accredited experts, whether operating in a self-employed capacity or employed by public bodies or private enterprises'. The same requirement was provided for by the EPBD 2002.²⁹² The EPBD 2010 adds the obligation for MS to make available public information on training and accreditation, and to publish and update lists of accredited companies/experts.

*The requirements concerning the qualification or accreditation of inspectors of both heating and air-conditioning systems are very different across MS.*²⁹³ In particular, accreditation or qualification may be based on training, exams, professional experience or **attestation of competence. In addition to that, qualification may be 'automatically' granted to installers already operating in these market segments.** Furthermore, in certain MS, these requirements are set and/or managed at regional level, e.g. in Italy, Spain, and Belgium.

In most countries, a prior level of educational qualification is mandatory, and a secondary education diploma is usually necessary for installers. Professional experience is another common requirement to access the market.²⁹⁴ Qualifying examinations, where mandatory, are different in coverage and depth. Here below, secondary evidence available for the MS covered by this Study²⁹⁵ is provided:²⁹⁶

²⁸⁶ I.e. for heating systems, those with boilers whose effective rated output is higher than 20 kW; for air-conditioning systems, those with an effective rated output higher than 12 kW.

²⁸⁷ Though there was no provision for alternative measures to inspections of air-conditioning systems.

²⁸⁸ 23 MS opted for such extended transposition deadline, as provided by art. 15 EPBD 2002. Cf. EPBD IA, at p. 21.

²⁸⁹ Alternatives are spelled out in art. 13(4) and 14(4) and include: (i) provision of advice to users concerning the replacement of boilers/air conditioning systems; (ii) other modifications to the heating/air-conditioning systems; and (iii) and alternative solutions to assess the efficiency and appropriate size of the boilers/air-conditioning systems.

²⁹⁰ EPBD Evaluation, at p. 48.

²⁹¹ In Denmark, the scheme of inspection of air-conditioning systems was discontinued as of 1st of January 2016 (cf. *infra*).

²⁹² At art. 10.

²⁹³ Cf. EPBD IA, at p. 48.

²⁹⁴ CA EPBD (2011), Implementing the Energy Performance of Buildings Directive featuring country reports, at p. II-76.

²⁹⁵ Ireland has opted for alternatives measures for inspections of both heating and air-conditioning systems.

²⁹⁶ Cf. CA EPBD and interviews with stakeholder associations, governments and installers.

1. In Belgium, no mandatory external certification for installers and inspectors is required; very few operators opted for a voluntary certification, with SME having a limited interest. In general, the procedures for market access are considered easy to comply with and non-burdensome. More specifically, in the Brussels region, the legislation provides for five types of qualified experts for heating systems, depending on the type of inspections **and boilers. All types of experts have to be accredited by 'Bruxelles Environment – IBGE'**, and the accreditation system foresees a training programme and a test of competences. The accreditation is valid for 5 years and can be renewed for 5 more years. In Flanders, inspectors of air conditioning systems have to: (i) possess a degree in electromechanics; (ii) be specialist in climate control or cooling technology; (iii) be a certified climate control expert; or (iv) be an air conditioning or cooling technician recognised by the Flemish government. In addition to that, experts from other EU MS may demand access to the profession, as well as craftsmen with at least three years of experience with cooling and air-conditioning systems with power >12 kW.
2. In Denmark, the inspection of heating and air-conditioning systems has to be carried out by qualified or accredited experts, in compliance with the EPBD.²⁹⁷ Four categories of experts are foreseen, depending on whether they can only inspect the boiler or the whole heating system, and on the fuel used. All categories must attend a training period and sit a qualification exam. Installers, technicians and chimney sweepers (the latter not for gas-fired boilers and systems) may demand access to the profession.
3. France is the only MS among those covered in-depth in which an ISO certification is required for inspectors of air-conditioning systems, who have to be certified according to the ISO standard 17024, by a body accredited by the French committee of accreditation (COFRAC). Two certifications exist, for smaller or larger systems. The certification is granted for five years upon passing a theoretical and practical exam. The certified inspector is then subject to audits, both on the reports issued and during inspections. France opted out from inspections of heating systems.
4. In Germany, no accreditation for inspectors of heating and air-conditioning systems is required. The requirements for inspectors are spelled out in the law on Energy Efficiency.²⁹⁸ Germany opted out from inspections of heating systems.
5. In Italy, the operators qualified for the installation and maintenance of heating and air-conditioning systems can also perform inspections without additional requirements, at least for systems with a nominal power lower than 350 kW (for systems over this threshold, companies must have an ISO 9001 certification).²⁹⁹
6. In Spain, accreditation is not required for qualified industrial engineers, including companies having an industrial engineer as employee. Otherwise, accreditation is necessary according to the *Reglamento de Instalaciones Térmicas en los Edificios* and foresees (i) training; (ii) professional experiences; and (iii) an exam. The administration of the accreditation system is competence of regions and communities.
7. In Poland, the inspection of boilers, heating, and air-conditioning systems can be performed by engineers or technicians competent for supervising installation works. No evidence could be found concerning mandatory accreditation for inspectors.

²⁹⁷ A mandatory inspection scheme for cooling systems, called 'Eftersynsordning for ventilations- og klimanlaeg' came into force in 2008 and was abolished as of of January, 1st 2016.

²⁹⁸ *Energieeinsparverordnung – EnEV*.

²⁹⁹ Cf. the applicable regulation, which consists of (i) *Decreto del Presidente Della Repubblica 16 aprile 2013, n. 74*; and (ii) *Decreto del Ministero dello Sviluppo Economico del 22 gennaio 2008, n. 37*.

8. In Romania, only technical experts certified in heating and ventilation systems can perform inspections. The list of accredited experts is published by the Ministry for regional development and public administration.³⁰⁰
9. In the UK, air-conditioning systems over 12 kW must be inspected by accredited assessors. The accreditation requires (i) demonstration of competences, though a recognised qualification or professional experience; (ii) proof of professional insurance; (iii) continuous training; (iv) quality assurance systems; and (v) compliance with the accreditation scheme guidance. Twelve accreditation schemes were approved by the government.³⁰¹

Information on costs was retrieved via interviews with installers and stakeholder associations. However, given the diversity of schemes across MS, the number of data points are not sufficient to perform a quantification. In any case, *the attribution of these costs to the EU framework would considerably fall below 100%*; indeed, while the EPBD mandates accreditation or certification, the choice between the two alternatives and the modalities for implementation, and thus the costs generated, depend on the national, and sometimes regional, governments. This clearly results from available evidences, as some MS extended previous accreditations for heating and air-conditioning installers, at no or limited costs for the operators, while other implemented *ex novo* accreditation schemes requiring training and the passing of exams, including France which mandated external ISO certification for air-conditioning system inspectors. Information retrieved can be summarised as follows:

1. In Italy, no relevant costs are incurred concerning the inspection of heating systems, as any operator qualified for installing and maintaining such systems is entitled to carry out inspections. For cooling systems, the *FGas* certification – concerning the use of fluorinated gases and thus out of the scope of the EPBD – is a market standard and *de facto* mandatory. The *FGas* **certification is valid for one year and costs about €2,000. The yearly renewal costs significantly less.** This certification system is currently under review, precisely because of operators complaining about its cost.
2. In Spain, obtaining the RITE certifications for subjects not meeting the educational requirements (e.g. a degree in engineering) is very demanding and costly.
3. In Poland, though no mandatory training was identified, attendance of public and private training was reported by the interviewees. Though training is usually paid for by private parties (e.g. boiler producers) or public money (e.g. via EU funds), the interviewees reported a loss of 1-2 days of work, and out-of-pocket expenses concerning travel and sometimes accommodation. Training is usually attended on a yearly basis.

7.3.3 Accreditation and certification of RES installers

The installation of small-scale biomass generators is largely carried out by installers and providers of specialised construction services included in the NACE Group 43, though specialised firms also exist, installing RES generation capacity without carrying out other construction services. Indeed, the installation and maintenance of RES plants in buildings are closely integrated with the installation and maintenance of building systems, and in particular heating, cooling, and electricity systems.

The accreditation and certification of RES installers is regulated by the RESD, which is not an act specifically designed for buildings or the building sector. The regulation of this aspect is quite **loose, as article 14(3) RESD 'only' provides for MS to ensure that certification or equivalent qualification schemes are or become available by 2012 for installers of small-scale RES generation capacity**, including biomass boilers and stoves, solar photovoltaic and thermals systems, shallow geothermal systems, and heat pumps. These schemes shall take into account

³⁰⁰ Cf. <http://www.mdrap.ro/constructii/atestari-tehnicoprofesionale/experti-tehnici> (last accessed on March, 2016).

³⁰¹ Building Engineering Services Competence Assessment, Building Research Establishment, Chartered Institute of Building Services Engineers, ECMK Ltd, Heating and Ventilation Certificated Associates, National Energy Services, Northgate, Quidos. Sterling Accreditation, and Stroma.

existing ones, where available, and shall be based on the criteria laid down in Annex IV to the Directive. Annex IV gives MS great flexibility in the organization of the certification and qualification process, provided that it includes training and a final exam. With regard to training, the Annex details the conditions and the content. Finally, article 14(3) require MS to recognize certifications awarded in other MS which comply with these criteria.

The lack of certification or equivalent qualification schemes, and the insufficient availability of trainings, was considered as a barrier to the deployment of RES small-scale generation capacity.³⁰² Furthermore, certification or equivalent qualification is expected to deliver benefits to the installers, including a signalling function of higher expertise in RES deployment and additional trust by consumers.³⁰³ *As the measure is not binding, in this case no regulatory costs can be attributed to EU legislation.*

The uptake of this provision is still limited. According to CA RES data, 13 MS introduced a certification scheme for experts, and 3 MS a qualification. These schemes vary to a large extent among MS, in particular concerning: (i) content/competencies; (ii) the subjects (companies or individuals); (iii) the responsible body; (iv) the length of training; (v) the demonstration of competences; (vi) the administration of the scheme; and (vii) the duration of the qualification and the requirement for continuous professional development. Furthermore, schemes may be mandatory or voluntary. Voluntary schemes may still be linked to the subsidy/incentive schemes established at national level, providing much stronger incentives to obtain the qualification / accreditation.³⁰⁴ Information on the 8 MS covered in-depth by the Study where a certification or qualification scheme exists is provided here below:³⁰⁵

1. In Belgium, a voluntary certification scheme exists as from January 2014, for both individual and companies. The development and implementation of the schemes are left to regional governments. The scheme foresees 35-40 hours of training and a theoretical and practical examination. Stakeholder associations considered the scheme easy to comply with, and reported that there is no demand from SME to have it mandatory in the future.
2. In Denmark, a voluntary scheme is in place for companies,³⁰⁶ including 32 hours of **training, an exam, and the approval of the company's quality management by audit** companies. Pre-existing competence can be taken into account to reduce training requirements. The participants to the training must have a background in the field of electricity, heating, or ventilation systems.
3. In France, a certification scheme, the so-called RGE,³⁰⁷ was set up; though not mandatory, resorting to an RGE-certified company is a prerequisite for customers to access public financial support for building renovation and RES deployment. RGE is not a certification *per se*, but a certification of existing accreditation or equivalent schemes (e.g. **Quali'Sol** for thermal solar, **Quali'Pac** for heat pumps, and **Quali'PV** for photovoltaic). Companies possessing these first-level qualifications can be RGE-certified.
4. In Germany, the installation of RES can be carried out by specialised craftsmen or engineers. No accreditation system exists.

³⁰² In 2010, most of MS lacked certification schemes for one or more of the RES small-scale technologies, and a majority of MS did not provide sufficient training schemes, either within existing education curricula, or through lifelong education for technicians and professionals. Cf. Ecorys (2010), Assessment of non-cost barriers to renewable energy growth in EU Member States – Report for DG TREN.

³⁰³ Cf. RESD Evaluation, at p. 129 and ff.

³⁰⁴ CA RES (2015), Core Theme Interim Report, Core Theme 3: RES Heat..

³⁰⁵ Cf. CA RES and interviews with stakeholder associations, governments and installers.

³⁰⁶ '*Frivillig godkendelsesordning for virksomheder, der monterer små vedvarende energianlæg*'.

³⁰⁷ *Reconnu Garant de l'Environnement*. The RGE scheme concerns not only RES installers, but also other construction operators, such as professionals, companies providing energy-efficient renovation services, installers of insulation materials, and of heating systems.

5. In Italy, the accreditation is not yet operational.³⁰⁸ As of August 2013, new professionals/companies intending to work in the RES market and, in certain cases, companies already operating, have to comply with the following requirements: (i) the person responsible for RES installation within a company (or as an independent professional) needs to attend a 80 hour-training course; and (ii) all RES certifiers within a company need to attend a 16-hour-lifelong training course. However, since professional training is a shared competence between the central and regional governments, a regional legal framework is required for the provision to be operational. So far, training has not yet started in any region, and only few regions have already adopted the necessary legislative acts (Lombardy, Piedmont, and Veneto).
6. In Poland, a voluntary scheme is in place, based on the competence criteria provided for in national legislation. The certification requires (i) either vocational education or professional experience; (ii) training; and (iii) passing an exam. The training varies across the training centres, which have to be accredited by the Office of Technical Inspection. Once obtained, the certificate is valid for 5 years.
7. In Spain, no certification or accreditation is required for companies or individuals with a sufficient educational background (e.g. building engineers). Those who do not meet the minimum educational requirements must be accredited according to the *Reglamento de Instalaciones Térmicas en los Edificios*, requiring (i) training; (ii) professional experiences; and (iii) an exam. The Administration of the accreditation system is competence of regions and communities.
8. In the UK, a voluntary scheme is in place for companies designing, supplying, installing and commissioning microgeneration RES systems. The framework is managed by accredited bodies and based on competence criteria set in national standards. The accreditation includes both training (between 30 and 120 hours) and knowledge assessment. Electrician, plumbers, and heating engineers may accede to the scheme.

As the EU legislation mandates the existence of these schemes, but not their mandatory application, this prevents the assessment of regulatory costs and benefits. Arguably, a scheme linked to incentives is still voluntary, but may create *de facto* market standards, and hence a barrier to market access. For this reason, companies, and especially SME, may be sensitive to the costs generated by the scheme. This is the case in France. Though the RGE is a second-level certification, hence relying on existing certifications rather than setting up a new scheme, and simplifications were introduced (e.g. in terms of single audits for multiple technologies and **systems**), **costs may still be significant for smaller operators, amounting to approximately €1,000** for obtaining the qualification.

Information on costs was retrieved via interviews with installers and stakeholder associations. However, as in the case of the accreditation/certification of heating and cooling inspectors, given the diversity of schemes across MS, the number of data points are not sufficient to quantify costs. Information retrieved is as follows:

1. **In Denmark, the voluntary certification costs about 10,000 DKK (~ € 1,350);**
2. In Italy, the costs of training is not always borne by participants. In certain cases, European funds for professional development are used; most importantly, in a majority of cases, the costs of training will be sponsored, fully or partly, by the manufacturers of RES materials;
3. In the UK, one installer reported the following costs for **certification: (i) € 2,500 for fees; (ii) € 2,500 for training costs; and (iii) €1,500 for the purchase of documentation, instruments, and software;**

³⁰⁸ Access to the RES installation market is currently allowed for companies meeting the requirements to work as installers of building systems, i.e. to individuals (or companies employing individuals) with (i) a scientific university degree; (ii) a secondary degree and working experience; (iii) specific training and professional experience; (iv) professional experience as specialised operator.

4. In Poland, one installer is planning to undertake a training for RES installation to broaden his scope of **activity; training costs are estimated at €400.**

7.4 The Impact of Energy Efficiency Legislation on Construction Product Manufacturers

The present sub-section deals with the impacts of Energy Efficiency (EE) legislation on the upper part of the value chain, i.e. on construction product manufacturers. Manufacturing companies were surveyed and asked about their assessment of and the impacts originating from both EE requirements for construction products, systems and buildings, and EE support measures undertaken at national level. These impacts were not included in the analysis of the effects of the EPBD on construction companies, which is dealt with in Section 5 above.

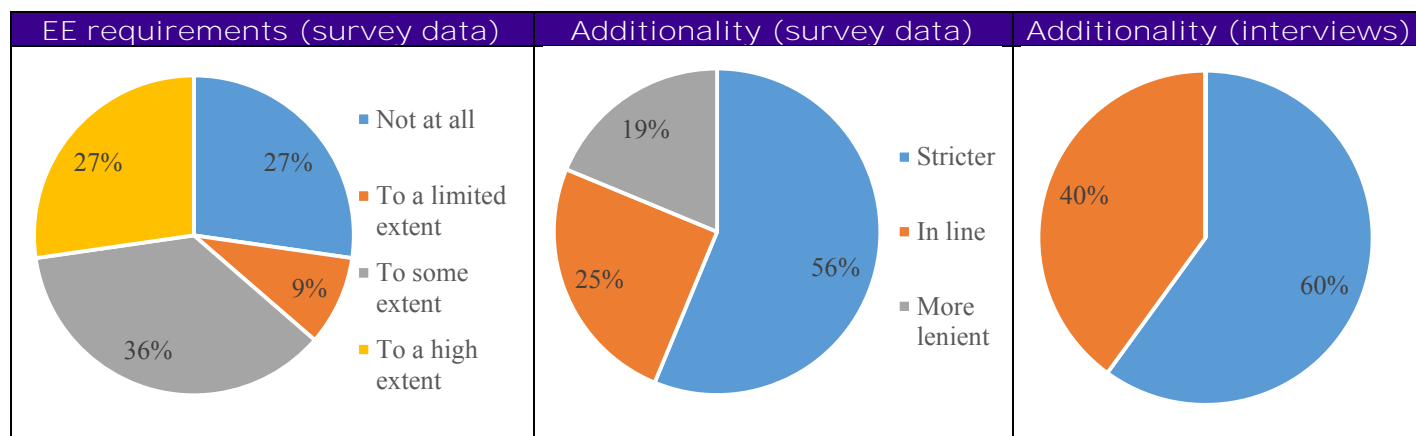
As already mentioned in Section 2 above, EE measures are not relevant or equally relevant for all manufacturers. While in principle they all benefit from support measures targeted at supporting EE renovation, at this indirectly increases their market demand, only a subset of them is concerned with EE requirements, depending on the product scope. Ten out of 17 of the interviewed companies reported to be affected by EE requirements. Furthermore, questions on the impact of EE legislation were also included in the survey targeted at construction product associations and other stakeholders, with 16 respondents reporting an impact on their market segments. Here below, survey and interview data are presented.

Exhibit 7.5 below shows the assessment of the product associations and other stakeholders on the impact of EE requirements on their sector.³⁰⁹ About a quarter of respondents signalled a high impact, and more than one third signalled some impacts; to the contrary, slightly less than 40% of those respondents considered that EE requirements have no or limited impact on their activity. When asked about the MS where the impacts of EE requirements are larger, Germany is the most mentioned, followed by Austria, France, the Netherlands, and the UK. Both stakeholders and companies were also surveyed on the additionality of these requirements compared to business-as-usual market demand.³¹⁰ All companies considered the requirements in line or additional compared to market demand; in particular, a majority of them considered them as stricter. As for other stakeholders, about one fifth of the respondents considered **that customers' demand for EE performance would actually be higher than mandatory level**, but the prevailing majority considered them in line or stricter, and a majority considered them stricter. Based on these findings, EE requirements present a significant degree of additionality, and thus a low BAU factor, from the point of view of the construction product sector. One interviewed company qualified the situation by stating that **'regulation, including support measures, is the main driver of EE in buildings'**.

³⁰⁹ As companies were specifically targeted to cover sectors affected by EE legislation, data from interviews show a prevailing majority of companies affected to a high extent and are thus not significant.

³¹⁰ Namely, in both the questionnaire and the survey respondents were asked whether in their opinion, EE mandatory requirements are stricter, more lenient, or in line with customers' typical demand.

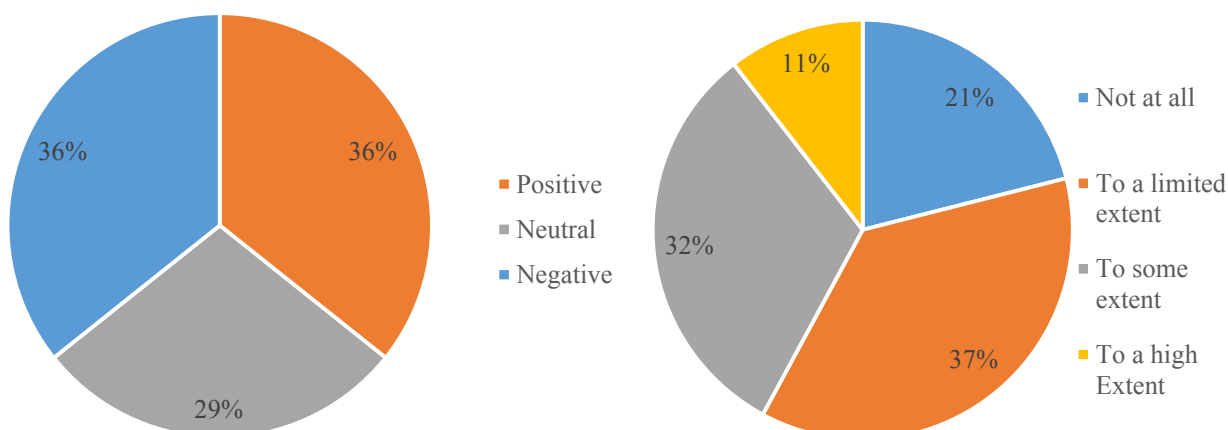
Exhibit 7.5 Impact of EE requirements and additionality³¹¹



Source: Stakeholder survey (left, centre) and company interviews (right)

Stakeholders were also asked about the effect of the EE requirements on turnover and margins. **Several cases could apply, in theory: EE requirements can increase manufacturers' profits** by increasing demand for EE-performant construction products, increase the demand for substitute products, and thus negatively affect the turnover of a company or sector, or increase the costs of new buildings and renovation, and thus indirectly lower the demand for the whole sector. Exhibit 7.6 (left) shows the empirical findings with respect to this aspect. On average, stakeholders are split almost equally over positive, neutral and negative answers, and in particular the positive and the negative camps have the same weight in the sample. The view of the companies interviewed – keeping in mind that only those working in a sector affected by EE requirement are among the respondents – are much more upbeat, signalling a positive effect on turnover. In the right side of Exhibit 7.6 below, the results of the survey with stakeholders on whether EE support measures targeted at the construction sector trickled-up the value chain are shown. There, 58% of the sample consider the effect as none or limited, showing that support measures apparently matter less than EE requirements (see Exhibit 7.5 above).

Exhibit 7.6 Impact of EE requirements on turnover (left); impact of EE support measures on product manufacturers (right)



Source: Stakeholder survey

³¹¹ Number of respondents: (i) EE requirements (survey data): 22 respondents; (ii) additionality (survey data): 16 respondents; (iii) additionality (interviews): 10 respondents

Interviewed companies also cautioned against making a direct link between EE requirements and support measures and the turnover of product manufactures. The market for construction product is affected by many factors, including the general economic situation, and the relative bargaining power of customers, construction companies, and manufacturers. In particular, whether EE requirements translate not only into higher turnover, but also into higher margins for companies is unclear, as this depends on the competition on each market segment and the demand being sufficient to generate economies of scale over a long period. For this reason, respondents pointed out that the stability of the legal framework is an enabler of competitiveness for the construction product industry. Obviously, companies welcomed subsidies and funding for EE renovation provided at MS level, and underlined again that the best working schemes are those stable and long-term.

8. COST SAVINGS OF THE LATE PAYMENTS DIRECTIVE

8.1 Introduction

Directive 2011/7/EU on combating late payment in commercial transactions (hereafter 'LPD') aims at *reducing payment delays as well as mitigating the negative effects of payments taking place later than agreed* in contracts or laid down in the general commercial conditions. Late payments have a negative impact on liquidity and financial management of economic operators and constitute a substantial obstacle to the competitiveness and profitability of EU companies, especially when creditors are obliged to resort to external financial sources in order to cope with issues of accounting liquidity.³¹² The scope of the LPD is limited to payments made as remuneration for commercial transactions, i.e. both business-to-business (B2B) and business-to-public authorities (PA2B) transactions,³¹³ leading to the delivery of goods or provision of services in exchange for remuneration.³¹⁴

The LPD, in its current formulation, affects only the very last part of the time period covered by this Assignment, as it is a recast for reasons of clarity and rationalisation of the Directive 2000/35/EC³¹⁵ (**hereafter 'LPD 2000'**) and its transposition was due by **16 March 2013**. Whereas no regulatory costs for the construction sector are expected to result from this piece of legislation,³¹⁶ article 3, 4, 6 and 7 of the LPD are likely to generate benefits for companies operating in the construction value chain. In particular, according to the effects identified and validated in the previous phases of the Assignment, two benefit items can be identified in the LPD (both the old and recast version):

1. Financial savings (efficiency gains) linked to the setting of maximum and default payment terms in transactions with public entities and guidelines for transactions with private clients (articles 4, 5, and 7);
2. Substantive cost savings in the form of reduced litigation costs linked to automatic entitlement to late payment interest (articles 3 and 4).³¹⁷

In what follows, these two benefit items are further investigated. First, the nature of the expected benefits is discussed by analysing the most relevant provisions of the Directive. Then, secondary data are used to provide an overview of the implementation of the LPD in selected MS as well as of trends in payment practices at national level. In particular, the analysis focuses on the impacts registered in the construction sector. These results are complemented by information collected via interviews with stakeholder associations and firms. More specifically, 40 companies (23 main contractors, one sub-contractor, seven companies operating at both tiers of the value chain and 9 professionals) across eight MS (Belgium, France, Germany, Italy, Spain, Poland, Romania, UK) have provided feedback on the application of the LPD in the country where they are based. In addition, 14 industry associations (11 national associations and 3 operating at the EU level) representing construction companies and professionals have shared their views on the main impacts of this Directive. Finally, concluding remarks are presented at the end of the Chapter.

³¹² Recital 3, Directive 2011/7/EU.

³¹³ For the sake of consistency with other Commission documents on the same topic, the abbreviation PA2B is used in this Chapter of the report with regard to transactions between businesses and public authorities. This abbreviation takes into account the payment flow (from the public authority to the company) rather than the transaction itself, which goes from the business to the public authority.

³¹⁴ Article 1 and 2, Directive 2011/7/EU.

³¹⁵ Directive 2000/35/EC of the European Parliament and of the Council of 29 June 2000 on combating late payment in commercial transactions.

³¹⁶ This conclusion has been confirmed by VVA et al. (2015), Ex-post evaluation of Late Payment Directive, **European Commission, hereinafter 'VVA study'**.

³¹⁷ Cf. Revised First Progress Report, 15 January 2016, at p. 11.

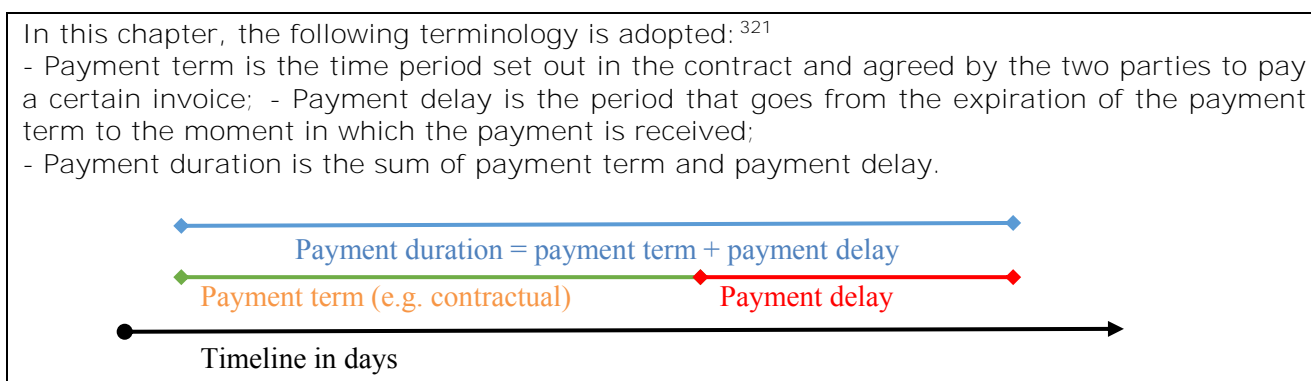
8.2 Expected benefits and main differences compared to the LPD 2000

In light of the categorisation of regulatory benefits laid down in the Inception Report, the LPD is expected to deliver benefits to all the segments of the construction value chain in the form of 'efficiency gains'. In particular, the LPD is expected to lead to a more efficient use of financial resources in the construction sector by: i) reducing payment periods and/or late payments; ii) providing compensation for financial costs incurred by creditors as a result of late payments, including recovery costs; and iii) limiting abuse of freedom of contract to the disadvantage of creditors. In addition, insofar as the Directive increases legal certainty, cost savings may also result from a more limited recourse to litigation.

Compared to the LPD 2000, the new LPD introduced a higher interest rate for late payment (at least eight percentage points above the 'reference rate')³¹⁸ and set out a minimum compensation for recovery costs (lump sum of €40), regardless of higher claims for any additional costs exceeding such minimum amount.³¹⁹ These provisions aim at ensuring better compensation to creditors and further discouraging payment delays. Furthermore, the Directive holds as *per se* 'grossly unfair' to the creditor (and hence to be considered void or as giving rise to claim for damages) those terms or practices that exclude interest for late payment or compensation for recovery costs. The LPD also prohibits provisions which grossly deviate from good commercial practices or are inconsistent with the nature of the product or service.³²⁰

The most impactful novelty introduced by the new LPD, however, is the setting of maximum time limits for the period of payment fixed in contracts with both private (unless explicitly provided otherwise and provided it is not grossly unfair) and public clients. According to Article 3 of the LPD, the payment term (see Exhibit 8.1) fixed in B2B contracts should not exceed 60 days, unless expressly agreed otherwise and provided that a longer payment term is not grossly unfair to the creditor. Article 4 establishes a 30-day payment term for PA2B commercial transactions with few exceptions (e.g. contracts with public authorities carrying out economic activities of an industrial or commercial nature, or public authorities providing healthcare), unless expressly agreed otherwise and provided that it is objectively justified in the light of the particular nature or features of the contract. At any rate, the PA2B payment term cannot exceed 60 calendar days and, in order to avoid any 'lawful' delay, the date of receipt of the invoice cannot be subject to contractual agreements between the parties.

Exhibit 8.1 A definition of payment duration, payment term and payment delay



³¹⁸ Article 2, Directive 2011/7/EU.

³¹⁹ Article 6, Directive 2011/7/EU.

³²⁰ Article 7, Directive 2011/7/EU.

³²¹ See VVA Study.

8.3 Implementation in selected MS

The LPD has been transposed in all the selected MS within 2013, with the sole exception of Germany where the act has been transposed in 2014. All the surveyed countries chose a statutory interest for late payment equal to or higher than eight percentage points above the **'reference rate'** and **introduced a 40€ lump sum as a minimum compensation for recovery costs**.³²² In no case the LPD applies retroactively, therefore, in principle, all the contracts concluded before the date in which the LPD was implemented in each country have to abide by the rules laid down by the LPD 2000 (see Exhibit 8.2).

The maximum payment term fixed in PA2B contracts is equal to 30 days in all the sampled MS, although several countries envisaged exceptions for public entities operating in the health sector.³²³ Ireland has adopted a prompt payment policy, to reduce the payment term by Public Bodies to their suppliers from 30 to 15 days. In July 2011, the governmental non-statutory requirement applicable to Central Government Departments was extended to all public bodies for combating the late payment culture. In the same vein, in 2010 UK government departments introduced prompt payment policies to pay 80% of supplier invoices within five days.³²⁴

³²² In the UK the lump sum ranges between 40€ and 100€ based on the size of the due payment.

³²³ According to the Italian National Builders Association (ANCE), in Italy the payment term for PA2B contracts in the construction sector is equal to 60 days. This is probably due to the required procedures of acceptance or verification that add 30 days on top of the 30-day standard payment term.

³²⁴ For further details, see National Audit Office (2015), *Paying government suppliers on time*.

Exhibit 8.2 LPD: Overview of the implementation in selected MS

		Belgium	Denmark	France	Germany	Ireland
<i>Transposition</i>		2013	2012	2012/2013	2014	2012
<i>Entry into force</i>		2013	2013	2013	2014	2012
<i>Open infringement proceedings</i>		No	No	No	No	No
<i>Statutory interest rate</i>		8.50%	8.05%	8.05%	8.17%	8.05%
<i>Retroactive application</i>		No	No	No	No	No
<i>Minimum compensation for recovery costs</i>		40 €	310 DKK	40 €	40 €	40 €
<i>Maximum payment period in days fixed in the contract</i>	<i>PA2B</i> ³²⁵	30	30 (but up to 60 by executive order)	30 (50 health sector)	30 (but up to 60 based on contractual arrangements)	30 (but up to 60 based on contractual arrangements)
	<i>B2B</i> ³²⁶	30 (but up to 60 or longer terms based on contractual arrangements)	30 (or longer period based on contractual arrangements)	30 (but negotiable up to 60; or 45 after the end of the month)	60 (or longer period based on contractual arrangements)	30 (but up to 60 or longer period based on contractual arrangements)
		Italy	Poland	Romania	Spain	UK
<i>Transposition</i>		2012	2013	2013	2013	2013
<i>Entry into force</i>		2012	2013	2013	2013	2013
<i>Open infringement proceedings</i>		Yes	No	No	Yes	No
<i>Statutory interest rate</i>		8.05%	8.00%	9.75%	8.05%	8.50%
<i>Retroactive application</i>		No	No	No	No	No
<i>Minimum compensation for recovery costs</i>		40 €	40 €	40 €	40 €	40€ to 100€
<i>Maximum payment period in days fixed in the contract</i>	<i>PA2B</i> ¹⁴	30 (60 health sector)	30 (60 health sector)	30 (60 health sector)	30	30
	<i>B2B</i> ⁵	30 (but up to 60 or longer period based on contractual arrangements)	60 (or longer period based on contractual arrangements)	30 (or longer period based on contractual arrangements)	30 (but up to 60 based on contractual arrangements)	30 (but up to 60 or longer period based on contractual arrangements)

³²⁵ In Germany and Ireland a payment term up to 60 days can be negotiated only if expressly agreed by the parties in the contract and provided that it is not grossly unfair to the creditor.

³²⁶ A payment terms exceeding 60 days can be negotiated in Belgium, Germany, Ireland, Italy and Poland only if expressly agreed by the parties in the contract and provided it is not grossly unfair to the creditor. In Denmark and Romania any payment term exceeding 30 days is subject to the previous conditions. In UK, express approval apart, payment terms exceeding 60 days must be fair to both businesses.

Source: European Parliament;³²⁷ Elvinger, Hoss and Prussen;³²⁸ European Commission; and VVA³²⁹.

For B2B commercial transactions, payment terms should not exceed 30 days in all the MS under investigation with the exception of Germany and Poland where the maximum payment term is set by default at 60 days. Nonetheless, all the sampled countries leave room to extend such terms based on contractual arrangements. Interestingly, France explicitly allows paying B2B invoices 45 days after the end of the month in which they are received and this could entail a maximum overall payment term up to 75 days, provided it is expressly agreed by the creditor and not grossly unfair to the creditor.

Notwithstanding the formal transposition of the LPD, infringement proceedings against Italy and Spain for bad application are still open. As shown below, these two MS are lagging behind in terms of overall payment duration and, despite efforts and improvements made in the past years, have not managed yet in effectively combating late payment up to the standards required by the Directive.

8.4 Data analysis

While payment terms are directly impacted by the provisions laid down in the LPD, payment delays and the overall payment duration are affected to a greater extent by the general commercial practices adopted in specific sectors and within a given country. National commercial practices play a more central role in those sectors, such as constructions, that are less open to international competition and where suppliers and clients are usually local.³³⁰ In addition, the overall duration of payments largely depends on the relative bargaining power of the interested party vis-à-vis its clients and suppliers.³³¹ In this context, the impacts of the LPD on the construction sector cannot be assessed only via a set of interviews with industry players and an in-depth analysis of the available secondary data is a good complement to identify general trends registered at national level. In what follows, an overview of payment practices in the surveyed countries is provided. Where possible, those practices that are prevalent in the construction sector are presented.

Late payment in selected MS

This section presents a brief overview payment terms, delays and durations in the ten MS covered by this Study. Relevant data have been gathered from yearly reports published by Intrum Justitia³³² and refer to the entire economy. A focus on the construction sector is provided in next section.

In 2014, the average payment term fixed in B2B contracts was shorter than 60 days in all the sampled MS but Italy, where on average private parties agreed on a 65-day term. Interestingly, between 2012 and 2013 Spain managed in reducing payment terms from 70 to 60 days in compliance with the LPD. In Denmark, where the maximum payment term has been officially set at 30 calendar days, B2B contracts usually include payment terms of only 25 days. All the countries experienced an improvement in contractual terms between 2009 and 2014 with the exception of Denmark (where the 25-day term was the standard also in 2009).³³³

The overall picture for payment terms in PA2B contracts is less encouraging. In 2014, in four countries (Belgium, France, Italy and Spain) payment terms contractually agreed upon were still

³²⁷ European Parliament (2015), State of play on the transposition of Directive 2011/7/EU on late payments in commercial transactions, Briefing - Implementation in action.

³²⁸ Elvinger, Hoss and Prussen (2014), Late payment in western Europe: Comparative study.

³²⁹ VVA study.

³³⁰ For further details, see Euler Hermes (2012), Payment periods in Europe: wide gaps.

³³¹ See Fabbri D. & Klapper F.L. (2013), Bargaining Power and Trade Credit, working paper available at: <http://www.cass.city.ac.uk/media/internals/easy-edit-suite/wym?a=179726>

³³² Intrum Justitia (2009, 2010, 2011, 2012, 2013, 2014), European Payment Index.

³³³ As regards Romania, data before 2012 are not available.

longer than 30 calendar days and such countries registered only marginal improvements in payment terms after transposing the LPD. In particular, in 2014, in Spain, public authorities stipulated average payment terms of 75 days; in Italy, instead the average term of payment in PA2B contracts was equal to 80 days.

Over the period 2009-2014, payment delays in B2B commercial transactions went from an average of 11 days in Denmark and 12 in Germany to more than 25 days in Spain, Ireland and Italy. In some MS larger delays were experienced in 2014 when compared to 2009 (+12% in Belgium, +32% in Ireland, +38% in Italy and + 14% in Romania on a shorter time span). Conversely, in Denmark, France, Germany, Spain and the UK the transposition of the LPD was followed by a reduction in payment delays.

Whereas in Denmark, Germany and Poland delays in payments made by public authorities are on average comparable to those registered in commercial transactions between private parties, and whereas in Ireland PA2B contracts are paid substantially faster than B2B ones, public **authorities are the 'slowest payers' in the remaining countries**. In particular, in Italy and Spain PA2B contracts are paid even 80 days after the contractually agreed terms and payment delays deteriorated over the period 2009-2014 (+63% in Italy and +55% in Spain).

From a business perspective what does really matter in terms of financial management is the overall payment duration rather than payment terms and delays.³³⁴ This is particularly true for companies that do not exercise their right to claim compensation or interest in the event of late payment, which is the case for the vast majority of companies based in the EU.³³⁵ In 2014, in the majority of surveyed MS, the duration of payments in B2B commercial transactions was lower than 60 days and decreasing trends have been registered over the period under investigation. Again, Italy and Spain represent an exception. In Spain, where the LPD seems to have led to some improvements, in 2014 the average payment duration was equal to 83 days. In Italy, private parties pay their bills on average in more than 3 months and the situation has deteriorated over time (+7% between 2009 and 2014).

Again, when it comes to PA2B contracts, Italy and Spain confirm their negative performance, with 165 days in Italy and 154 days in Spain in 2014 respectively. In both cases, the payment duration increased between 2009 and 2014; nonetheless, a decreasing trend has been registered after the transposition of the LPD. To be sure, the targets set by this Directive for PA2B payments are far to be achieved in the majority of surveyed countries. In fact, according to 2014 figures, in no country public authorities pay within 30 days, more than 40 days are required in the UK, Ireland and Romania, 59 days in France and almost 70 days in Belgium.

Late payment in the construction sector in selected MS

A picture of *the average duration of payments made by clients of construction companies* is presented in Exhibit 8.3.

First, it is apparent that, in the sampled countries, *payments in the construction sector take usually longer than the average B2B and PA2B commercial transaction*. This evidence is confirmed by all the relevant literature on the topic.³³⁶ From a methodological standpoint, it is worth remarking that while national data for the construction sector provided by Euler Hermes³³⁷ (see part A of Exhibit 8.3) do not allow a distinction between B2B and PA2B transactions, cross-sectoral data gathered by Intrum Justitia³³⁸ (and discussed above) always separate payments

³³⁴ Please note that the 'payment duration' is defined as the sum of the (contractual) 'payment term' and the 'payment delay'.

³³⁵ See VVA Study.

³³⁶ See *inter alia* Cribis D&B (2014), Payment Study 2014; Euler Hermes (2012), Payment periods in Europe: wide gaps; and Intrum Justitia (2014), European Payment Index 2014 - Industry White Paper.

³³⁷ See Euler Hermes (2012), Payment periods in Europe: wide gaps and Euler Hermes (2015), Payment behaviour: Who's paying the piper?

³³⁸ Intrum Justitia (2009, 2010, 2011, 2012, 2013, 2014), European Payment Index.

made by private clients from those made by public authorities. Hence, to allow a comparison between constructions and other sectors, it is necessary to rely upon a weighted average of Intrum Justitia figures. More specifically, this weighted average (see part B of Exhibit 8.3) provides an estimate of the potential payment duration in the construction sector under the assumption that the same payment practices adopted in other sectors would apply also to all the commercial transactions involving construction companies.

Second, the transposition of the LPD seems to have generated a general reduction in payment duration in the construction sector between 2010 and 2014. Such a reduction has been more marked than in other sectors of the economy. In this respect, Germany and UK represent exceptions as the calendar days required to obtain a payment grew. This result is in line with comments made by some stakeholders. Reportedly, some 'good payers' in countries where rules for the construction sector were stricter than those introduced by the LPD have extended their payment terms in contracts involving construction companies toward the maximum time limit allowed by the Directive. For instance, even though the UK Construction Act set a default 17-day payment term, parties tend to negotiate a time limit closer to that envisaged by the LPD.

Exhibit 8.3 Average payment duration (in days) in the construction sector and difference with the whole economy

	A. Construction (B2B & PA2B)			B. National payment practices (B2B & PA2B weighted average*)			Construction - Whole economy (A-B)	
	2010	2014	Var. 2010-2014	2010	2014	Var. 2010-2014	2010	2014
<i>Belgium</i>	82	65	-17	58	54	-4	24	11
<i>Denmark</i>	57	n.a.	n.a.	37	34	-3	20	n.a.
<i>France</i>	87	66	-21	61	56	-5	26	10
<i>Germany</i>	41	45	+4	35	34	-1	6	11
<i>Ireland</i>	n.a.	n.a.	n.a.	60	55	-5	n.a.	n.a.
<i>Italy</i>	127	102	-25	103	100	-3	24	2
<i>Poland</i>	n.a.	75	n.a.	35	38	+3	n.a.	37
<i>Romania</i>	n.a.	n.a.	n.a.	n.a.	36	n.a.	n.a.	n.a.
<i>Spain</i>	174	87	-87	103	89	-14	71	-2
<i>United Kingdom</i>	33	55	+22	50	42	-8	-17	13

Note: *Weighted average based on the estimate share of construction of public buildings over total construction of buildings.³³⁹

Source: Euler Hermes (various years) for the construction sector and Intrum Justitia (various years) for overall national practices.

The decreasing trend in payment duration is confirmed by the 2014 Industry White Paper³⁴⁰ published by Intrum Justitia. In fact, in 2014, 51% of the payments were received by construction companies within 30 days (see Exhibit 8.4). This constitutes the best performance over the period 2009-2014.

Exhibit 8.4 Average payment duration (in days) in the construction sector

	Payments received		
	% up to 30d	% 31-90d	% >90d
<i>2008</i>	57	30	13
<i>2009</i>	48	34	18
<i>2010</i>	47	41	12
<i>2011</i>	46	40	14
<i>2012</i>	50	38	12
<i>2013</i>	49	31	20
<i>2014</i>	51	32	17

Note: Sampled countries include all EU countries (with the exception of Luxembourg and Malta) and 6 third countries (Bosnia-Herzegovina, Norway, Russia, Serbia, Switzerland and Turkey).

Source: Intrum Justitia Industry White Paper (2014).

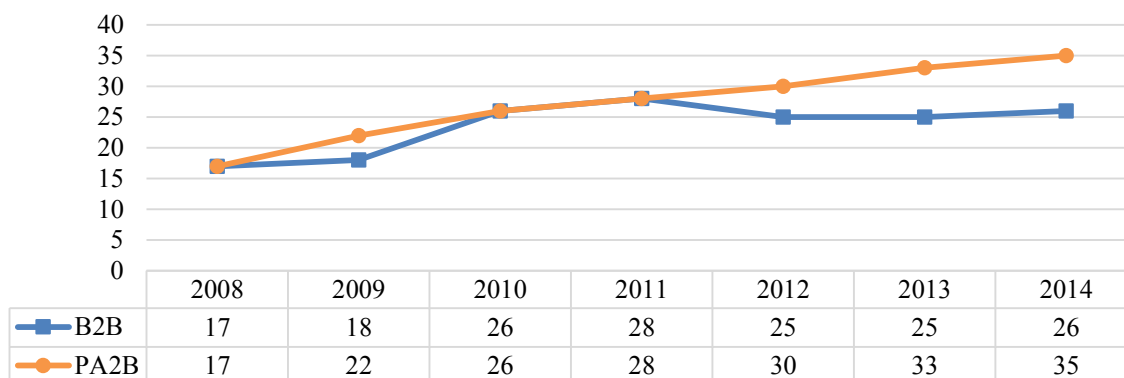
Notwithstanding improvement in payment duration, *payment delays in the construction sector have increased between 2008 and 2014* both in B2B and PA2B commercial transactions (+53% and +106%, see Exhibit 8.5). This is consistent with feedback from several stakeholders stating that while the LPD had some impact on reducing payment terms (with few exceptions mentioned above), payment delays are still an issue. More specifically, *reductions in payment terms have been partially offset by longer delays*. As a result of late payment,

³³⁹ Elaboration on Eurostat Structural Business Statistics and FIEC (2014), Construction activity in Europe.

³⁴⁰ Intrum Justitia (2014), European Payment Index 2014 - Industry White Paper. Please note that Intrum Justitia data for Europe cover 26 EU MS and 6 additional third countries.

construction operators surveyed by Intrum Justitia have reported: liquidity problems (65%); lower growth rate (64%); fewer hiring (49%); and dismissal of employees (39%).

Exhibit 8.5 Average payment delays (in days) in the construction sector in Europe*



Note: Sampled countries include all EU countries (with the exception of Luxembourg and Malta) and 6 third countries (Bosnia-Herzegovina, Norway, Russia, Serbia, Switzerland and Turkey).
Source: Intrum Justitia Industry White Paper (2014).

Interestingly, the share of debts written off by construction companies went from 3.8% in 2008 to 4% in 2014 (Exhibit 8.6) and is considerably higher than in other sectors (only education and professional services score worse than constructions). In this respect, *construction is a rather problematic sector when it comes to payment practices* due to the weak financial position of some players and *this can explain part of the difficulties encountered by policy makers in achieving effective solutions to late payments*.

Exhibit 8.6 Bad debt loss in the construction sector

	%
2008	3.8
2009	3.8
2010	3.4
2011	3.6
2012	3.7
2013	3.9
2014	4

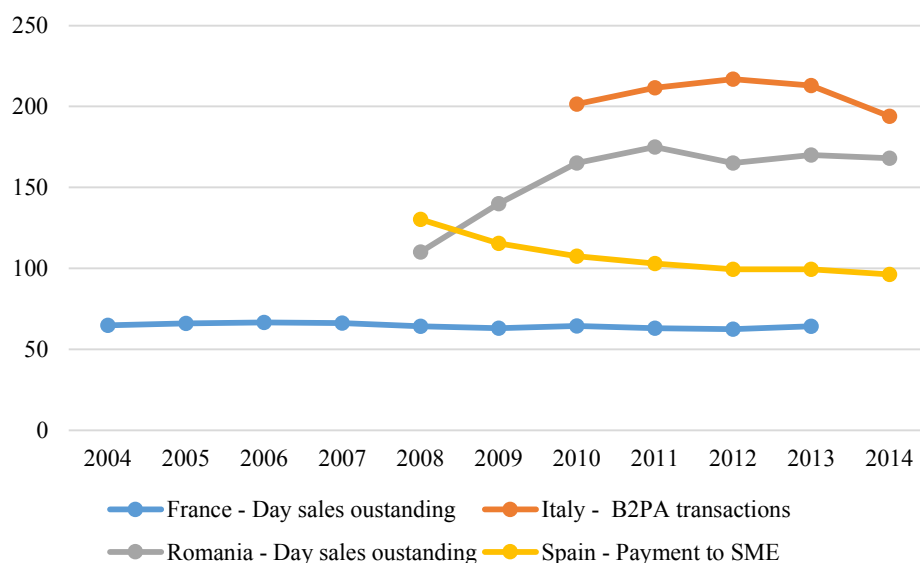
Note: Sampled countries include all EU countries (with the exception of Luxembourg and Malta) and 6 third countries (Bosnia-Herzegovina, Norway, Russia, Serbia, Switzerland and Turkey).
Source: Intrum Justitia Industry White Paper (2014).

In what follows, to complement the main findings presented above, an analysis of national statistical sources on payment terms and delays in the construction sector is performed. Unfortunately, such data are scant and available only for a sub-sample of MS. For instance, Banque de France estimates on a yearly basis the so-called 'days sales outstanding',³⁴¹ which are a proxy (based on companies' financials) for the actual duration of payments, for several economic sectors. According to these data, *in France the average time taken by construction companies to collect their revenues experienced a slight reduction over the period 2000-2013 (-9%) moving from 70 days to 64 days* (see Exhibit 8.7); nonetheless, between 2012 and 2013 such time period increased by one day. This is consistent with figures provided above for the construction sector. The same indicator is computed for Romania where 'days sales outstanding' went from 110 days in 2008 to 168 in 2014 (+53%),

³⁴¹ In accounting terms, 'days sale outstanding' are usually defined as the ratio of accounts receivable and sales (including taxes) multiplied by 360.

with a peak of 175 days in 2011. Interestingly, in Romania payment duration is substantially longer than average duration for the entire economy that in 2014 was equal to 46 days in PA2B transactions and 36 in B2B.³⁴² In Spain, the average duration of payments to construction SME (which represent a sub-set of the overall payments) decreased by 26% from 2008 to 2014. The transposition of the LPD seems not to have led to major improvements for Spanish SME, although a 3-day reduction in the overall payment duration has been registered between 2013 and 2014. This result is different from the one provided in Exhibit 8.3 and can be explained if one considers that SMEs usually do not apply interest for late payment, as they fear of endangering future commercial relations, especially vis-à-vis large clients. Interestingly, according to a 2012 survey, the construction industry is the sector in Spain that showed the highest percentage of firms paying within a period of over 120 days.³⁴³ Conversely, the LPD has been more impactful in Italy where the payment duration in PA2B transactions have experienced a substantial reduction between 2012 and 2014 (-23 days) after growing by 15 days from 2010 to 2012. This trend is generally in line with the one registered for PA2B transaction in the entire economy.³⁴⁴ The main driver for improvements seems to be the reduction of payment terms from 75 days to 60 days (including procedures for accreditation and verification). At any rate, in 2014 more than 80% of the Italian construction companies reported problems in getting paid by public authorities, which confirmed to be the 'slowest payer' also in the construction sector. As a result of late payment, 55% of Italian construction companies are obliged to delay payments to their suppliers, more than 40% have to reduce investments and some 30% dismiss employees.³⁴⁵

Exhibit 8.7 Average payment duration (in days) in the construction sector in selected MS



Source: Banque de France (2014), *Dossier statistique: les délais de paiement des entreprises de 2000 à 2013*; CEPYME (2014, 2015), *Boletín de morosidad y financiación empresarial*; Conface (2016), *Analiza sectorului de lucrari de constructie a cladirilor rezidentiale si nerezidentiale, Sector Report*; and ANCE (various years) *Osservatorio congiunturale sull'industria delle costruzioni*.

Interestingly, according to some stakeholders, statistics on average payment duration may even provide a too optimistic picture. For instance, in Belgium the reduction in payment duration seems to be entirely offset by acceptance or verification procedures that may add 30 days on top of payment terms set by the LPD.³⁴⁶ Similarly, in Italy, payments in PA2B

³⁴² Intrum Justitia (2014), European Payment Index.

³⁴³ See VVA Study.

³⁴⁴ Intrum Justitia (2009, 2010, 2011, 2012, 2013, 2014), European Payment Index.

³⁴⁵ See ANCE (2014 and 2015) *Osservatorio congiunturale sull'industria delle costruzioni*.

³⁴⁶ See Confederation Construction (2014), *La construction et l'Europe, Rapport Annuel*.

transactions are often delayed by possibly unfair requests made by clients to postpone the issuance of invoice or the so-called '*stato di avanzamento dei lavori*', an official document that trigger payments by public authorities.³⁴⁷ In UK, a considerable share of payments is withheld in retentions beyond the agreed contractual terms and is overdue for release.³⁴⁸ In addition, on a more general note, companies interviewed for this Study argued that the LPD had a very limited impact on payment practices. In fact, when it comes to PA2B transactions, the majority of respondents have perceived no change (30%) or even a deterioration (25%) in payment duration since the introduction of the LPD; only 10% have noticed an improvement.³⁴⁹ It is worth stressing that in Germany and UK, where payment terms in the construction sector were extended after the enactment of the LPD, no interviewee has indicated an improvement in payment duration. As regards B2B transactions, general trends in payment practices seem to be slightly better. In this respect, the percentage of interviewees noticing an improvement doubles (20%); nevertheless, still the majority of respondents perceived either no change (58 %) or a deterioration (17 %) of the situation after the introduction of the LPD.³⁵⁰

Estimated benefits generated by the LPD in the construction sector

Late payments generate financial costs to companies insofar as they need to find alternative sources of liquidity to pay their bills while waiting for payments from their clients. To cope with accounting liquidity issues, companies can: i) resort to internal cash reserves (i.e. the amount of money they are able to keep on hand in their bank account); ii) delay payments to their suppliers (especially if they have a relatively stronger bargaining power); and iii) seek access to finance, usually in the form of overdrafts (i.e. loan arrangements under which banks provide short term credit up to a maximum amount).

While internal cash reserves are generally a very limited source of liquidity for companies, all the available evidence shows that construction companies are on average in a very weak bargaining position vis-à-vis their suppliers.³⁵¹ In a nutshell, this implies that they have to pay their suppliers before they are able to get paid by their clients and that bank credit is their main source of emergency liquidity. Therefore, any marginal reduction in payment delays is reflected in lower interest to be paid on short-term loans. In the same vein, *any increase in payment delays comes at a financial cost.*

Against this background, Exhibit 8.8 provides an estimate of the financial cost savings generated by the reduction in payment duration in the construction sector between 2010 and 2014 **registered in selected MS representing the lion's share of the EU construction sector turnover.**³⁵² The following conservative assumptions are adopted: i) only payments received after 90 days are funded via bank credit, i.e. 17% of the overall payment in 2014 (see Exhibit 8.6); ii) construction companies have access to finance at the average 2014 national interest rate for revolving loans and overdrafts to non-financial companies;³⁵³ iii) any reduction/increase in the duration of payments leads to financial savings/costs. ***As a result, the experienced decrease in the duration of payments led to financial costs savings of €160 million.*** Interestingly, in spite of the very low interest rate applied in 2014 to short-term bank credit, *a one-day*

³⁴⁷ See ANCE (2015) Osservatorio congiunturale sull'industria delle costruzioni.

³⁴⁸ See NSCC and FMB (2014), *Credit Where Credit Isn't Due* - The Results of the NSCC & FMB Payment Survey 2014.

³⁴⁹ Please note that 35% of respondents could not provide an answer as they did not work with public clients.

³⁵⁰ Please note that 5% of respondents could not provide an answer as they did not work with private clients.

³⁵¹ For further details, see Euler Hermes (2012), *Payment periods in Europe: wide gaps and Observatoire des délais de paiement (various years), Rapport annuel de l'observatoire des délais de paiement, Banque de France.*

³⁵² In 2014 the overall construction turnover in Belgium, France, Germany, Italy, Spain and the UK represented more than 70% of the total EU turnover in the sector (Eurostat Structural Business Statistics).

³⁵³ For Belgium and UK the national average 2014 interest rate for revolving loans and overdrafts to non-financial companies is not available. Savings are calculated using the national average 2014 interest rate for revolving loans and overdrafts, convenience and extended credit card debt to non-financial companies.

reduction in payment duration corresponded to savings for some €17 million for the sector.³⁵⁴ In Belgium, France, Italy and Spain faster payments to construction companies led to substantial benefits (i.e. lower financial costs). It is no surprise that in Germany and UK the deterioration of payment practices, which several stakeholders have attributed to the fact that payment terms spelled out by the LPD were less stringent than those already applied at national level, generated additional costs to construction companies.

Exhibit 8.8 Estimated financial cost savings for the construction sector

	Variation in payment duration in the construction sector (2010-2014, days)	Payment received later than 90 days* (2014, €mln)	Financial cost savings** (2014, €mln)
Belgium	-17	8,962.2	-24
France	-21	40,935.9	-45
Germany	4	35,170.7	18
Italy	-25	23,967.5	-83
Spain	-87	14,301.2	-104
United Kingdom	22	37,299.4	78
<i>Total</i>			-160

Note: *17% of the total turnover as per Exhibit 8.6; ** For France, Germany, Italy and Spain: simple interest at a rate equal to the annual interest rate for revolving loans and overdrafts denominated in Euro to non-financial companies; for Belgium and UK: simple interest at a rate equal to the annual interest rate for revolving loans and overdrafts, convenience and extended credit card debt denominated in Euro to non-financial companies.³⁵⁵

Source: Euler Hermes (various years) and Eurostat Structural Business Statistics.

The assessment of attribution of these benefits to the LPD, and thus to the EU framework, requires a blurred response. In fact, it is very difficult to isolate the impact of this Directive on changes in payment behaviour from external factors such as the financial crisis and the prevalent business culture. In some cases, the improvement in payment terms resulted from national efforts which preceded the implementation, and even approval, of the LPD. In some other cases, concerted national efforts have been brought about by the need to comply with the Directive. All these factors are likely interlinked and isolating them with certainty is not possible.

As regards countries in which late payments were and are a major issue in Spain decreasing trends started even before 2011: for instance between 2008 and 2011, payment duration for SME in the construction sector went from 130 to 103 days, that is -21% (see Exhibit 8.7 above). As mentioned, the revision of the LPD, the presentation of the Commission proposal and the following discussion may have had an expressive (symbolic) function, yet this is an insufficient ground to attribute a significant share of benefits registered in Spain to the EU legislation. At the other side of the spectrum, in Italy a decrease in payment terms has only started after the implementation of the LPD, in 2013. In the Italian case, not only the LPD itself, but also other European Commission actions, such as the subsequent opening of infringement procedures,³⁵⁶ the flexibility granted in how to compute payment of the stock of late debts in public deficit statistics,³⁵⁷ and follow-up close monitoring of both payment duration and payment practices by

³⁵⁴ Based on an EU average interest rate for revolving loans and overdrafts to non-financial companies of 3.83%.

³⁵⁵ See European Central Bank Statistical Data Warehouse.

³⁵⁶ Cf. Late payments: Commission seeks clarifications from Italy and Slovakia, Brussels, 18.062014, available at: http://europa.eu/rapid/press-release_IP-14-689_en.htm (last accessed on March, 2016).

³⁵⁷ Cf. Euractive, *Direttiva pagamenti: Ue apre a Italia per saldo debiti pregressi*, available at: <http://www.euractiv.it/it/news/norme/6830-direttiva-pagamenti-ue-apre-a-italia-per-saldo-debiti-pregressi-.html> (last accessed on March, 2016).

public authorities,³⁵⁸ are considered as crucial determinants of the benefits for the construction sector. For Belgium, clear evidences are not available to verify whether the reduction in the payment duration for the construction sector between 2010 and 2014 took place before or after the implementation of the LPD. However, information specific to the construction industry on the timeliness of payments and on the share of payments delayed by 30, 60 or more days show no significant variation from 2013 onwards, pointing out to a less than full role played by EU legislation.³⁵⁹ A mixed case is that of France, whereas Euler Hermes data suggest a reduction on payment duration for the construction sector, which brought it closely in line with the LPD limits, while national data, though not fully comparable, suggest a stable trend and largely in line with the LPD requirements over the whole period. As in the case of Belgium, the role of the LPD is thus estimated to be limited. In Germany and the UK, to the contrary, payment times have increased, though remaining within the limits set by the LPD. The LPD does not prevent national legislation and private parties to agree on shorter payment duration, and as such would seem not to have triggered increase in payment duration. However, stakeholders confirmed that the worsening of the situation is partly attributable to the changes in legislation followed the implementation of the LPD: even though they did not compel parties to lengthen payment terms, they acted as a focal point, thus contributing to the increase. As in the case of Spain, the LPD have played an expressive role, hence the role is quite limited compared to other situations. Attribution of costs and benefits to the EU framework is shown below in Exhibit 8.9.

Exhibit 8.9 Estimated regulatory costs and benefits attributed to the EU framework

	Total cost savings (2014, €mln)	Share of attribution	EU cost savings (2014, €mln)
<i>Belgium</i>	-24	50%	-12
<i>France</i>	-45	50%	-22.5
<i>Germany</i>	18	15%	2.7
<i>Italy</i>	-83	100%	-83
<i>Spain</i>	-104	15%	-15.6
<i>United Kingdom</i>	78	15%	11.7
<i>Total</i>			-118.7

Litigation costs. As mentioned, the LPD is expected to increase legal certainty, thus reducing the recourse to litigation. Nonetheless, while still possible in principle, such hypothesis cannot be confirmed through available secondary data neither for the general economy nor for the construction sector. In this respect, data collected via interviews to construction companies provides an interesting picture.

While the majority of the interviewees (57%) is aware that creditors are automatically entitled to interest for late **payment, companies with a larger yearly turnover (above €1 million) are on average more informed than smaller companies about the rights enshrined in the LPD.** At any rate, 80% of the respondents have never taken clients to court in order to receive interest on late payment. In particular, only eight construction companies (five main contractors and three companies operating at both tiers of the value chain) have declared to resort to litigation in case of late payment in specific circumstances and estimated the average cost of a legal proceeding **in the area of €3,000 to €15,000.**

More generally, several respondents stressed that the limited recourse to litigation is not a consequence of the LPD, rather it is a general business practice motivated by the need to keep good relationships with clients. In addition, some companies prefer to hedge their credits via **insurance contracts or 'escrow' accounts, especially when it comes to private clients.** This approach is considered the most efficient as, besides being costly, lawsuits usually take several years before being adjudicated. This conclusion is confirmed by the Irish case. In fact, Ireland

³⁵⁸ As reported by stakeholders.

³⁵⁹ Graydon (2015), Comportement de paiement, Q3 2015.

introduced in 2013 a voluntary adjudication procedure for late payment disputes regarding construction contracts with a **value in excess of €10,000. This eventually takes place prior to the standard judicial procedure** and it is intended to facilitate the enforcement of the late payment legislation by reducing the time and costs of debt recovery.³⁶⁰ Given these empirical findings, no cost savings concerning reduction of litigation costs can be attributed to the LPD.

8.5 Concluding remarks

Available evidence suggests a general reduction in payment duration in the construction sector between 2010 and 2014 that can be only partially attributed to the LPD. In this respect, Germany and UK represent a major exception as an extension of payment terms was registered. However, payment duration in the construction sector is still longer than in other sectors. In addition, payment delays have increased between 2008 and 2014 in both B2B and PA2B commercial transactions and longer delays partially offset improvements in payment terms. Interestingly, stakeholders' view is less optimistic. Reportedly, the impact of the LPD on payment practices has been quite limited and several issues still need to be tackled to combat late payment.

Late payments are proven particularly detrimental for SME due to their limited bargaining power coupled with the typical difficulties they experience when seeking access to finance to cope with issues of accounting liquidity. In this respect, some of the stakeholders interviewed for this study explained that SME operating in the construction sector are rarely compensated for costs borne as a result of payment delays. In particular, SME usually do not apply interest to the debtor in fear of endangering future commercial relations. Interestingly, the interest rate that should be **applied to late payment (at least eight percentage points above the 'reference rate')** is substantially higher than average short-term interest rate currently applied across the EU); hence, an automatic application of the relevant LPD provisions would certainly discourage late payment. Other stakeholders have also stressed that those companies that operate as sub-contractors (generally SME) are in the worst position within the construction value chain insofar as they are paid with substantial delays by main contractors (usually large companies) whereas they need to pay their suppliers in compliance with payment terms set by the LPD.³⁶¹ These conclusions have been confirmed by several interviewees operating at different level of the construction value chain.³⁶²

At any rate, many questions are still open and it is too early to assess the full potential of the LPD for two main reasons. First, as in all MS this Directive applies only to contracts signed after 16 March 2013, a large part of the impacts is still not registered in official statistics. This is particularly true for the construction sector **where buildings are 'delivered' several months after signing a contract.** Second, the general economic situation is proven to be a key driver for late payments in both B2B and PA2B transactions and, somehow, more impactful than any legislative instrument whether national or European.³⁶³ In this respect, the unparalleled economic downturn over the past years and the insolvency of many key players have worsened the issue of late or non-payment, especially in the construction sector where large investment are required.

³⁶⁰ See Construction Contracts Act 2013, available at: <http://www.irishstatutebook.ie/eli/2013/act/34/enacted/en/pdf>.

³⁶¹ See NSCC and FMB (2014), *Credit Where Credit Isn't Due* - The Results of the NSCC & FMB Payment Survey 2014; and FFB (2015), *Évolution des délais de paiement dans le bâtiment*.

³⁶² For instance, several large companies operating as main contractors have explained that they are able to deal with late payments by delaying, in turn, payments to their sub-contractors. On the contrary, some small construction companies have reported that they tend to pay their suppliers in cash in order to get discounts on construction products and materials.

³⁶³ See VVA Study.

Annex IV

Legal analysis

1. INTRODUCTION

The list of legal instruments identified for the purpose of this fitness check can be divided into three main groups, of which the first group (i.e. section 2) comprehends three instruments which establish requirements for construction products, either as product requirements or as labelling requirements, namely the Construction Product Regulation (EU) 305/2011 (CPR), the Eco-Design Directive 2009/125/EC (EDD) and the Energy Labelling Directive 2010/30/EU (ELD). The other instruments covered by the coherence analysis have been similarly grouped together and section 3 assesses the coherence between the energy efficiency legislation that is applicable to the construction sector, in particular the Energy Efficiency Directive 2012/27/EU (EED), the Energy Performance in Buildings Directive 2010/31/EU (EPBD) and the Renewable Energy Sources Directive 2009/28/EC (RESO). Section 4 analyses the coherence of legislation applicable to the provision of services in the construction sector, in particular Directive 2006/123/EC on services in the internal market (SD), Directive 2005/36/EC on the mutual recognition of professional qualifications (PQD) and Directive 2011/7/EU on combating late payment in commercial transactions (LPD). Finally, section 5 concentrates on any potential coherence issues between EU legal instruments that were grouped into different blocks. In particular, the EPBD, EED, EDD and ELD are taken together for the coherence analysis, as are the EPBD and CPR, and also the EED, EPBD, RESO and PQD.

For each group of acts, the analysis assesses the extent to which the selected EU acts are mutually supportive, or whether, conversely, any legal shortcomings (i.e. inconsistencies, overlaps, gaps) could be identified. The analysis of coherence focuses on three main aspects, namely: (i) the consistency among the objectives pursued by the various pieces of legislation; (ii) the coherence of the scope and definitions; and (iii) the coherence of substantive requirements imposed upon construction sector operators. While the analysis obviously focuses on EU legislation, whenever relevant the interaction with national legislation was also considered. Finally, a conclusion is reached on whether or not (and to which extent) any of the shortcomings have an impact on the performance of the construction sector.

The main sources for the coherence analysis include the implementation reports prepared by the European Commission, the preparatory studies of the respective Directives and the evaluations and impact assessments of the individual instruments. Further, interviews with stakeholders at the EU level and in the Member States, conducted in the context of this fitness check, have provided some (albeit not abundant) detail on the coherence of the legal framework applicable to the construction sector.³⁶⁴ A survey of manufacturers and their trade association, also conducted in the context of this study, provided additional information. Finally, our research was further enriched by policy documents, position papers, the results from open public consultations and other (legal) literature.

Finally, it must be noted that, even though inconsistencies, gaps or overlaps may exist, this does not necessarily mean that they also lead to practical consequences for the construction sector. The impact of the coherence issues on the performance of the construction sector is dealt with in section 5 of the Main Report.

³⁶⁴ The number of interviewed firms that have reported some information on coherence in Part F of the questionnaire (or part 2.2. for manufacturers), is as follows: 12 out of 17 manufacturers; 4 out of 16 professionals; 23 out of 36 construction companies; and 6 out of 8 installers. The provided information was, however, mostly not detailed enough to draw any meaningful conclusions.

2. CONSTRUCTION-RELATED EU LEGAL INSTRUMENTS ESTABLISHING PRODUCT OR LABELLING REQUIREMENTS: Construction Product Regulation, Ecodesign Directive, and Energy Labelling Directive

The short list of legal instruments identified for the purpose of this fitness check comprehend three instruments which establish requirements for construction products, either as product requirements or as labelling requirements, namely the Construction Product Regulation (EU) 305/2011 (CPR), Eco-Design Directive 2009/125/EC (EDD) and the Energy Labelling Directive 2010/30/EU (ELD). These three instruments, to the extent to which they apply to products used in the construction sector, will therefore be analysed together for the purpose of the coherence analysis.

2.1 Objectives of the Construction Product Regulation, Ecodesign Directive, and Energy Labelling Directive

The Construction Product Regulation (CPR) lays down the conditions for the placing or making available on the market of construction products, by establishing harmonised rules on how to express the performance of construction products in relation to their essential characteristics and on the affixing of the CE marking.³⁶⁵ In this manner, it aims at ensuring that reliable information on the performance of a product from different manufacturers in different countries is available to consumers, public authorities and professionals.³⁶⁶ This should contribute to the removal of barriers in the internal market by creating a level-playing field for construction products entering the market. The 2011 CPR enhances the framework established by its predecessor, the Construction Products Directive (CPD). The new CPR ensures that a product bearing the CE marking must be allowed on the EU market and no national public authority is allowed to ask for additional markings, information or testing of the product. Through the CE marking, a manufacturer indicates that the product he/she is placing on the market has been tested based on the basis of the applicable harmonised technical specifications (harmonised European standards (hENs) or European Assessment Document (EADs)) and is in compliance with applicable EU law.

The EDD establishes a framework for the setting of mandatory requirements for both energy-using and energy-related products (i.e. products that do not use energy but have an impact on energy consumption). The objective of the EDD is dual. While, similarly to the CPR aiming to eliminate barriers in the EU internal market because of differing national eco-design requirements, the EDD also aims at reducing the overall negative impact of products placed on the EU market in the perspective of sustainable development. Many energy-related products have a significant potential for being improved in order to reduce environmental impacts and to achieve energy savings through better design. The EDD is a framework directive, and the ecodesign requirements are set through Commission regulations for specific product categories. The EDD aims at ensuring that such improvements are introduced in a coherent manner across the EU market.

The ELD complements the EDD by setting a framework for the labelling and the provision of information regarding energy consumption. Initially targeted at household appliances, the ELD is now applicable to a wide range of energy-related products. It aims particularly at informing end-users with a view to enable them to choose more energy efficient products. As noted in the **Commission Evaluation of the ELD and the EDD: "the ELD and EDD were adopted to address the basic problem that products can have a negative impact on the environment depending on how they are made, used and disposed of. The Eco-design Directive addresses this problem by 'pushing' the market towards optimised environmental performing (in particular, more energy efficient products by banning the worst performing ones. The Energy Labelling Directive addresses this problem by 'pulling' the market towards more energy efficient products by**

³⁶⁵ Article 1 CPR

³⁶⁶ European Commission website. Construction Products Regulation, http://ec.europa.eu/growth/sectors/construction/product-regulation/index_en.htm

informing consumers about the energy efficiency and other resources use of products through an energy label, thereby encouraging them to buy more energy efficient ones. The specific requirements for each product group are, after a preparatory study and extensive stakeholder consultation, set out in product specific regulations (delegated acts for energy labelling; **implementing acts for ecodesign**).³⁶⁷

No apparent contradictions between the objectives of these three instruments were identified in the literature and implementation reports reviewed for this assessment. The EDD and ELD are considered instruments with complementary, but distinct objectives. They were both adopted within the framework and in response to the 2007 EU commitment to become a highly energy-efficient, low carbon economy through the establishment of the so-called **"20-20-20" targets**. The 2010 impact assessment of the ELD review considered but rejected the option of integrating the ELD and the EDD due to the different nature of the legal instruments: the Ecodesign Directive bans the less performing products regarding their global environmental performance focusing on all environmental aspects throughout the lifecycle of the product.³⁶⁸ The ELD provides an energy label showing to consumers the energy efficiency performance of the product during the use phase (and relevant use of other resources (like water) where relevant).³⁶⁹ Manufacturers respond to the energy label by developing and placing on the market ever more efficient products, and in parallel, by discontinuing the production and withdrawing from the market the less efficient products, thanks to the stimulus provided by the relevant ecodesign legislation.³⁷⁰ Moreover, the report notes that the EDD and ELD are considered implemented in a coherent way.³⁷¹

While the CPR establishes certain basic requirements for construction works, such as in relation to their reuse and recyclability, or the use of environmentally compatible raw and secondary materials, or health and environmental impacts of construction works and products, eco-design requirements are considered helpful to address minimum energy and environment-related requirements.³⁷² These are particularly relevant for achieving the goals of sustainable development, as raised as a particular objective of the EDD in its Article 1.

In spite of this apparent coherence of the objectives of each of the instruments, some concerns are raised. The 2015 study of the CPR implementation, the evaluation of the EDD and the interviews held as part of this fitness check showed there are concerns by several stakeholders about the coherence of the procedures established under the CPR, on the one hand, and the EDD and ELD on the other hand.³⁷³ The procedural overlaps identified by stakeholders are covered below under 'substantive requirements'.

³⁶⁷ Commission Staff Working Document Accompanying document to the Proposal for a Directive of the European Parliament and of the Council on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products, Impact Assessment, COM(2008)778 final.

³⁶⁸ Commission Staff Working Document Accompanying document to the Proposal for a Directive of the European Parliament and of the Council on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products, Impact Assessment, COM(2008)778 final.

³⁶⁹ Ibid.

³⁷⁰ Draft Report on the proposal for a regulation of the European Parliament and of the Council setting a framework for energy efficiency labelling and repealing Directive 2010/30/EU (COM(2015)0341 – C8-0189/2015 – 2015/0149(COD))

³⁷¹ Proposal for a Regulation of the European Parliament and of the Council setting a framework for energy efficiency labelling and repealing Directive 2010/30/EU, COM(2015) 341 final and Commission Staff Working Document, Evaluation of the Energy Labelling and Ecodesign Directives accompanying the document Report from the Commission to the European Parliament and the Council on the review of Directive 2010/30/EU of the European Parliament and of the Council of 19 May 2010 on the indication of labelling and standard product information of the consumption of energy and other resources by energy-related products, COM(2015) 143 final

³⁷² Ecodesign Directive evaluation, p. 167

³⁷³ Analysis of the implementation of the Construction Products Regulation, RPA Ltd, for DG GROW, 2015, p. 178; EDD evaluation, p. 25 and following.

During the analysis of the implementation of the CPR, stakeholders were asked whether they considered the CPR to be consistent with the objectives of other EU policies and strategies in the area of competitiveness, innovation and sustainability. It is remarkable that, while more than half of public authorities and organisations involved in conformity assessment indicated that the CPR is indeed consistent in these policy areas, a significantly smaller proportion of companies (28%) thought this to be the case, with the majority of company respondents (54%) unsure.³⁷⁴ In particular in relation to sustainability, a majority of stakeholders were of the view that the CPR has not yet translated into a concrete framework in terms of sustainability issues. Although the CPR mentions sustainability and puts in place a framework for future action in this area in its Annex 1, it does not, for the time being, put in place specific requirements on sustainability. Moreover, in this context, there is no reference to energy efficiency of construction products specifically.

In conclusion, the objectives of the CPR, ELD and EDD are clearly distinct and they are mostly considered complementary and coherent. However, particular concerns about overlaps between the procedures that have been established under the several legal instruments are raised in several evaluation exercises of the individual instruments. These will be presented, where relevant, below. Moreover, in particular in relation to sustainability, a majority of stakeholders are of the view that the CPR has not yet translated to an actual improvement in terms of sustainability.

The evaluation of the EDD notes that coherence should always be promoted in the interface between the EDD and other policy tools, such as WEEE, RoHS and CPR. The evaluation study of the EDD recommends that practical guidance be developed to clarify such interface and, in particular, set out in clear terms which policy tools have priority in addressing which aspects.

The proposal for a new Energy Labelling Regulation aims to address some of the concerns raised above, in particular in relation to the EDD. The Commission proposal establishes more explicit links and cross-references to the EDD, for instance, by requiring that the ELD label should clearly mention the situations where, because of eco-design measures under the EDD, products can no longer fall into one of the lower classes. It also foresees in the potential combination of the new Consultation Forum under the ELD with the Consultation Forum referred to in Article 18 of the EDD.³⁷⁵

2.2 Scope and definitions in the Construction Product Regulation, Ecodesign Directive, and Energy Labelling Directive

The CPR specifically applies to the placing or making available on the EU market of construction products. In contrast, the EDD establishes requirements for energy-related products. The ELD establishes requirements for energy-related products as well. The products covered by each of the legal instruments are defined as follows:

³⁷⁴ Analysis of the implementation of the Construction Products Regulation, RPA Ltd, for DG GROW, 2015, 124.

³⁷⁵ Proposal for a Regulation of the European Parliament and of the Council setting a framework for energy efficiency labelling and repealing Directive 2010/30/EU, 15 July 2015, COM(2015)341 final.

Exhibit 2.1 Definitions of products covered by the CPR, EDD and ELD

CPR	EDD	ELD
Art. 2(1) - ' construction product ' means any product or kit which is produced and placed on the market for incorporation in a permanent manner in construction works or parts thereof and the performance of which has an effect on the performance of the construction works with respect to the basic requirements for construction works;	Art. 2(1) - ' Energy-related product ', (a ' product '), means any good that has an impact on energy consumption during use which is placed on the market and/or put into service, and includes parts intended to be incorporated into energy-related products covered by this Directive which are placed on the market and/or put into service as individual parts for end-users and of which the environmental performance can be assessed independently;	Art. 2(a) - ' energy-related product ' or ' product ' means any good having an impact on energy consumption during use, which is placed on the market and/or put into service in the Union, including parts intended to be incorporated into energy-related products covered by this Directive which are placed on the market and/or put into service as individual parts for end-users and of which the environmental performance can be assessed independently;

The CPR applies to all types of construction products as defined above. Several construction elements and materials can be classified as energy-using or energy-related products and therefore the EDD and ELD may potentially affect a number of construction materials manufacturers. The EDD is often described as a framework Directive. Article 15 EDD notes that, where a product category meets the volume and potential environmental improvement requirements set out in the article, it shall be covered by an implementing measures or a self-regulation measure. The implementing measures are established by means of Commission Regulations, following an impact assessment. The Commission adopted a 2012 Eco-design Working Plan for the period 2012-2014, setting out an indicative list of energy-related products which would be considered in priority for the adoption of implementing measures. The working plan included several construction products, such as windows and thermal insulation for buildings. The European Commission has published lists of Eco-design and Energy-Labeling products for which implementing and delegated acts have been adopted. The only construction products currently included on this list are solid fuel boilers, (solid fuel) local space heaters and space/water heaters.³⁷⁶ On the other hand, the preparatory study for an implementing measure on windows, for example, concluded it was not recommended to established eco-design requirements for windows.³⁷⁷

Existing overlaps between the EDD and CPR for specific product categories thus currently relate to five product categories, namely solid fuel boilers, (solid fuel) local space heaters and space/water heaters, as regulated by recently adopted Commission Regulations (EU) 2015/1185, (EU) 2015/1188, (EU) 2015/1189, (EU) No 813/2013 and (EU) No 814/2013.

The impact assessment accompanying Regulations (EU) 2015/1189, 813/2013 and 814/2013 does not refer to the CPR. The impact assessment (IA) carried out in preparation of EU Regulation (EU) 2015/1188 on local space heaters, on the other hand, does explicitly consider the coverage of local space heaters by the CPR. The IA concludes that the CPR covers local space heaters insofar these are considered part of the building installations (portable types are excluded), but

³⁷⁶ List of eco-design legislation, as published on the European Commission website, 2.9.212015, https://ec.europa.eu/energy/sites/ener/files/documents/list_of_ecodesign_measures.pdf

List of eco-design legislation, as published on the European Commission website, 15.3.2016, https://ec.europa.eu/energy/sites/ener/files/documents/list_of_energy_labelling_measures.pdf

³⁷⁷ Final Report, LOT 32 / Ecodesign of Window Products, June 2015, http://www.ecodesign-windows.eu/downloads/TASK7_Lot32_WINDOWS_CONSOLIDATED.pdf

that no minimum requirements or mandatory information requirements regarding energy efficiency or emissions have thus far been issued. The IA considers that this product category may be considered both a construction product and an energy-related product when the local space heater is used as part of building installations.

The IA notes that a certain **"minimum level" of improvements** for local space heaters is not guaranteed by the existing regulations at EU level. For this reason, several Member States started introducing maximum levels of certain pollutant emissions and minimum energy efficiency requirements for these products. However, these are regulated by Member States in different ways. Ultimately, this lack of harmonised specific regulation in Europe was considered to induce a risk that individual energy efficiency and requirements and emission limits set by Member States could hamper the functioning of the EU internal market. The objectives of the implementing regulation were thus considered complementary with other existing regulation, including the CPR, and necessary to achieve the specific objectives of the EDD.

Also Regulation (EU) 2015/1185 explicitly refers to the CPR, in its recital 18. The CPR is not explicitly referred to in the impact assessment. Recital 18 of this Regulation notes that solid fuel local space heaters are covered by harmonised standards to be used pursuant Article 7 of the **CPR. The recital continues that: "for the sake of legal certainty and simplification, it is appropriate** for the corresponding harmonised standards to be revised in order to reflect the ecodesign requirements established by this Regulation."

The economic operators subject to the requirements of the CPR, ELD and EDD
The CPR, EDD and ELD, as instruments establishing product or labelling requirements for specific categories of products, impose obligations on the operators who place the products or make **them available on the EU internal market. The CPR defines as 'economic operator' the** manufacturer, importer, distributor or authorised representative. As a consequence, different obligations are imposed on the manufacturer, his authorised representative, or the importer of the product in the EU. The CPR moreover establishes legal obligations for the distributors of such products in the EU. These economic operators are required to follow the procedures established by these legal instruments, such as the preparation of the necessary documentation and affixing of CE markings or labels, prior to the introduction of the product on the EU market.

The three instruments define the economic operators to this end as follows.

Exhibit 2.2 Definitions of operators subject to regulation under the CPR, ELD and EDD

CPR	EDD	ELD
<p>Art 2(19) - 'manufacturer' means any natural or legal person who manufactures a construction product or who has such a product designed or manufactured, and markets that product under his name or trademark;</p>	<p>Art 2(6) - 'Manufacturer' means the natural or legal person who manufactures products covered by this Directive and is responsible for their conformity with this Directive in view of their being placed on the market and/or put into service under the manufacturer's own name or trademark or for the manufacturer's own use. In the absence of a manufacturer as defined in the first sentence of this point or of an importer as defined in point 8, any natural or legal person who places on the market and/or puts into service products covered by this Directive shall be considered a manufacturer;</p>	<p>Art 2(h) - 'supplier' means the manufacturer or its authorised representative in the Union or the importer who places or puts into service the product on the Union market. In their absence, any natural or legal person who places on the market or puts into service products covered by this Directive shall be considered a supplier;</p>
<p>Art 2(22) - 'authorised representative' means any natural or legal person established within the Union who has received a written mandate from a manufacturer to act on his behalf in relation to specified tasks;</p>	<p>Art 2(7) - 'Authorised representative' means any natural or legal person established in the Community who has received a written mandate from the manufacturer to perform on his behalf all or part of the obligations and formalities connected with this Directive;</p>	<p>Art 2(h) - 'supplier' means the manufacturer or its authorised representative in the Union or the importer who places or puts into service the product on the Union market. In their absence, any natural or legal person who places on the market or puts into service products covered by this Directive shall be considered a supplier;</p>
<p>Art 2(21) - 'importer' means any natural or legal person established within the Union, who places a construction product from a third country on the Union market;</p>	<p>Art 2(8) - 'Importer' means any natural or legal person established in the Community who places a product from a third country on the Community market in the course of his business;</p>	<p>Art 2(h) - 'supplier' means the manufacturer or its authorised representative in the Union or the importer who places or puts into service the product on the Union market. In their absence, any natural or legal person who places on the market or puts into service products covered by this Directive shall be considered a supplier;</p>
<p>Art 2(20) - 'distributor' means any natural or legal person in the supply chain, other than the manufacturer or the importer, who makes a construction product available on the market;</p>	<p>/</p>	<p>/</p>

It is remarkable to note that the different legal instruments do not use identical definitions of the economic operators covered by the obligations, in particular given the fact that the obligations established by each of the instruments might apply to the same operators, as is the case in the new implementing regulation on solid fuel local space heaters. While the definitions in this case do not directly lead to substantial differences and inconsistencies, it is recommended in view of legal clarity to aim at using same definitions where possible, especially in the situation in which the requirements under the different instruments will apply to a same operator for making one same product available on the market.

Specific consideration of SMEs

Following the requirement in the Terms of Reference for this study to pay particular attention to **“the SME related aspects and to the impacts of this legislation on them”**, this section assesses whether SMEs are effectively taken up in the scope of application of the CPR, EED and ELD.

Up to 95% of construction, architecture, and civil engineering firms are micro-enterprises or small and medium-sized enterprise (SME).³⁷⁸ As a consequence, the specific consideration of SMEs in relation to the legislation that applies to this sector is particularly important. The CPR, as an instrument specifically developed for the sector, refers to the particular importance of SMEs. In its recital 27, the legislator notes that it is necessary to provide for simplified procedures for the drawing up of declarations of performance in order to alleviate the financial burden of enterprises, in particular small and medium-sized enterprises (SMEs). Chapter VI of the CPR establishes such simplified procedures particularly aimed at reducing the administrative burden for SMEs. Stakeholders confirm in interviews that the CPR has been instrumental for SMEs as it creates a more level playing field across Member States and ensures access to the markets of the Member States in a harmonised manner. Also the EDD makes specific reference to SMEs and contains a safeguard in its Article 15 aimed at ensuring that the implementing measures will take specific account of the competitiveness of SMEs. A similar provision is contained in the ELD in relation to energy labelling requirements. In addition, Article 13 of the EDD contains specific provisions on SMEs, requiring the EC to consider SMEs in the context of programmes from which they can benefit or through guidelines covering specificities of SMEs active in the product sector. Finally, the ELD requires Member States when implementing the provisions of the ELD, to endeavour to refrain from adopting measures that could impose unnecessarily bureaucratic and unwieldy obligations on the market participants concerned, in particular small and medium-sized enterprises.

Overall, it can be concluded that the three instruments take particular account of the specific situation of SMEs in the construction sector. Stakeholders do not raise any imbalance or incoherence in the approach taken towards SMEs under the specific instruments.

Definitions of placing or making available on the market

The requirements under the EDD, ELD and CPR are applicable to products entering the EU market. Remarkably, while the CPR covers the ‘placing and making available on the market’, the EDD and ELD apply to the situations under which products are placed on the market’ or ‘put into service’. The definitions of ‘placing on the market’ used in the CPR does not include the specification that this shall be ‘with a view to distribution or use within the Community, whether for reward or free of charge and irrespective of the selling technique’, as mentioned under the EDD and ELD. This is, in the CPR, included in a separate definition under the term ‘making available on the market’.

³⁷⁸ <http://ec.europa.eu/growth/sectors/construction/>

Exhibit 2.3 Making available on the market in the CPR, EDD and ELD

CPR	EDD	ELD
Art.2(17) - 'placing on the market' means the first making available of a construction product on the Union market;	Art 2(4) - 'Placing on the market' means making a product available for the first time on the Community market with a view to its distribution or use within the Community, whether for reward or free of charge and irrespective of the selling technique;	Art 2(i) - 'placing on the market' means making a product available for the first time on the Union market with a view to its distribution or use within the Union, whether for reward or free of charge and irrespective of the selling technique;
Art 2(17) - 'making available on the market' means any supply of a construction product for distribution or use on the Union market in the course of a commercial activity, whether in return for payment or free of charge;	/	/
/	Art 2(5) - 'Putting into service' means the first use of a product for its intended purpose by an end-user in the Community;	Art 2(j) - 'putting into service' means the first use of a product for its intended purpose in the Union;

While the need to differentiate the types of obligations incumbent upon economic operators may justify the use of different terms and definitions, the inconsistent use of terms to same operators for making one same product available on the EU market does not contribute to legal clarity and may lead to confusion on the part of the operators. It should be noted though that no specific concerns were raised by stakeholders, in the context of this fitness check, about this difference in definitions. The adverse impact of the inconsistency or any confusion on the part of operators has not been raised as a problem in practice.

2.3 Substantive requirements established by the Construction Product Regulation, Ecodesign Directive, and Energy Labelling Directive

Under the CPR, manufacturers are obliged to draw up a declaration of performance for construction products that are either covered by harmonised standards or that conform to a European Technical Assessment (ETA), when the product is placed on the market.³⁷⁹ The essential characteristics of a construction product are laid down in such harmonised technical specifications in relation to the basic requirements for construction works. These basic requirements are set out in Annex I to the CPR. Manufacturers are moreover obliged to affix the CE marking on the product. Under the CPR, importers are obliged to make sure that the manufacturer has fulfilled such obligations before bringing construction products into the EU market.³⁸⁰ The EDD is a framework directive and equally an internal market instrument. Similarly to the CPR, the manufacturer is responsible under the EDD for ensuring compliance of the energy-related products with the EDD requirements and for issuing a declaration of conformity. The EDD establishes generic or specific eco-design requirements for products through specific implementing regulations or self-regulation for a product category. These can, for example, consist of limit values for energy consumption or for recyclability or generic requirements. The EDD also requires the affixing of a CE marking on the product.

³⁷⁹ Articles 4 and 6 CPR

³⁸⁰ Article 13 CPR

EDD requirements only apply for a specific product category when eco-design requirements have been established for this product category either through a Commission Regulation or self-regulation by the sector. As mentioned above, eco-design requirements have been established for a range of product categories, some of which are also construction products, depending on whether these are used in a construction.³⁸¹ The EDD ensures that, if a voluntary agreement by industry fulfils certain conditions, it is considered as a priority alternative to mandatory requirements.³⁸² The voluntary agreement must achieve the same objectives as binding legislation in a more rapid and cost-effective manner.³⁸³ Specific conditions are established in Annex VIII of the EDD. Finally, the ELD establishes obligations for suppliers of products covered by a delegated act to supply a label and a fiche in accordance with the ELD and the delegated act.³⁸⁴ Moreover, the supplier is obliged to produce technical documentation which shall be sufficient to enable the accuracy of the information contained in the label, following the detailed instructions of the ELD.³⁸⁵ This information shall be made available to the national authorities and the EC. The ELD also establishes obligations for product dealers in relation to the proper display of the labels. Similarly to the CPR and the EDD, the ELD is also a free movement directive, ensuring that products that meet the requirements of the Directive shall move freely within the EU market.

Declarations of performance and conformity of products and the affixing of a CE marking under the CPR and EDD

The CPR requires manufacturers to draw up a declaration of performance for a construction product covered by a harmonised standard or conform to an ETA, when the product is placed on the market. By drawing up the declaration of performance, the manufacturer assumes responsibility for the conformity of the construction product with the declared performance. For the construction products for which a manufacturer has drawn up such a declaration of performance, Article 8 of the CPR requires them to affix a CE marking to the product. The affixing of the CE marking indicates that the manufacturer is taking the responsibility for the conformity of the product with the declared performance and with the CPR requirements.

Also the EDD requires a declaration, called declaration of conformity, to be issued whereby the manufacturer ensures and declares that the product complies with the relevant provisions of the applicable implementing measure, before a product is placed on the EU market and/or put into service.³⁸⁶ The conformity assessment procedure to be followed is specified in the implementing measure for the product.³⁸⁷ As mentioned above, the terminology used for both procedures slightly differs. The EDD refers to a 'declaration of conformity', similar to the former Construction Products Directive. This term has been modified in the CPR to 'declaration of performance'. Moreover, the EDD also covers a CE marking obligation for energy-related products covered by any implementing measures adopted under the EDD. Thus, before a product covered by an EDD implementing measure is placed on the market, a CE marking shall be affixed to the product, together with the issuance of an EC declaration of conformity.

Finally, the ELD requires a supplier of a product covered by the Directive to produce technical documentation to demonstrate the accuracy of the information contained in the energy label and provide it to the competent authorities. While there is a labelling requirement, indicating specific information on energy efficiency for consumers under the ELD, there is no obligation under the ELD to affix a CE mark as the Directive does not regulate the product requirements for entering

³⁸¹ In 2013 and 2015, the European Commission adopted EC Regulations under the EDD for energy-related products which can, depending on their use, at the same time be a construction product.

³⁸² Article 17 and Annex VIII EDD, Ecodesign brochure, European Commission website, http://ec.europa.eu/growth/industry/sustainability/ecodesign/index_en.htm

³⁸³ Ibid.

³⁸⁴ Article 5 ELD

³⁸⁵ Article 5 ELD

³⁸⁶ Article 5 EDD

³⁸⁷ Article 8 EDD

the EU internal market per se, but a labelling requirement for specific categories of products.

Article 5 CPR establishes *derogations* from the obligation to draw up a declaration of performance, namely for products that are individually manufactured or custom-made and installed in a single identified construction work under specific circumstances, where the product is manufactured on the construction site and incorporated in the works or where it is manufactured in a traditional manner, appropriate for heritage conservation or in a non-industrial process for protected construction works. Similar exclusions do not exist for the energy-related products under the EDD and ELD. However, the adoption of implementing measures for a product type under the EDD does rely on a set of minimum criteria, including trade volumes, the environmental impact of the product and its potential for improvement in terms of energy efficiency. Product types not meeting these minimum thresholds will therefore not be subject to eco-design requirements under the EDD and hence effectively covered by a derogation from the Directive's obligations.

In relation to the *CE marking*, Article 8 CPR specifies that the rules for affixing the CE marking provided for in other applicable legislation shall apply without prejudice to the CE marking requirements under the CPR. The CPR moreover clarifies that for any construction product covered by a harmonised standard or for which an ETA has been issued, the CE marking shall be the only marking that attests conformity of the product with the declared performance. There are thus two individual obligations to affix a CE marking, one on construction products and one on energy-related products, with each CE marking attesting the conformity of the product with the requirements under the respective legislation. Article 8(2) of the CPR notes that the affixing of a CE marking on a product ensures that the manufacturer takes responsibility for the conformity of the construction product, not only with the declared performance and the requirements of the CPR, but also with applicable requirements in other relevant Union harmonisation legislation providing for its affixing. The article notes that the rules for affixing the CE marking under such legislation shall apply without prejudice to the requirements set out in the CPR. This ensures that the requirements for CE marking under the CPR and EDD apply in parallel to those construction products that are at the same time considered as energy-related product under the EDD.

The CPR explicitly states that MS may not introduce any references to national measures. Once the CE marking is affixed to a product, all MS shall allow the product to access its market. The EDD contains a similar obligation for energy-related products covered by any implementing measures adopted under the EDD.

While potential *overlaps* thus clearly exist between the several instruments, these might not necessarily create a problem of legal coherence in the overall regulatory framework. The European Parliament (EP) Draft Report on the proposal for a new energy labelling Regulation, which intends to repeal Directive 2010/30/EU, confirms that **"the ELD has developed its operational life within a system of interrelated directives and regulations. Its closest relationship is with the EDD, both of them addressing issues at on opposite ends of the market for energy-related products, in a coordinated, complementary way."**³⁸⁸

In relation to the declarations of conformity under the EDD and technical documentation under the ELD, the opinion of the EP is in line with most sources of information considered in this analysis, such as the preparatory and evaluation studies for reviewing the respective pieces of legislation and stakeholder views collected through interviews and a survey with manufacturers. The declaration of conformity under the EDD and the technical documentation under the ELD are considered coherent instruments, each serving specific and complementary objectives.

Different views, however, exist in relation to these procedures under the *CPR and EDD*. The Draft Report of the European Parliament, for example, notes that the EDD also maintains significant

³⁸⁸ European Parliament, Draft Report on the proposal for a regulation of the European Parliament and of the Council setting a framework for energy efficiency labelling and repealing Directive 2010/30/EU (COM(2015)0341 – C8-0189/2015 – 2015/0149(COD))

conceptual and operational interaction with other regulations which should be clarified and that consideration should be given to the interaction of the EDD with the multi-act system governing conformity assessment and CE marking.³⁸⁹

Several stakeholders note that the EC is developing different initiatives that have common objectives and making use of different tools with methodologies of which the scopes overlap. The stakeholders refer in this context explicitly to the CPR and EDD and raise the problem of establishing two parallel paths to CE marking. On the other hand, Article 8(2) of the CPR explicitly ensures that one CE marking can be used for expressing the performance of a construction product under the CPR as well as conformity with other requirements under EU law, such as the EDD.

The stakeholders interviewed for this study state that the CPR covers environmental information and data related to construction products, similarly to the information covered by the EDD. As one stakeholder mentions, there might in some cases be a harmonised standard under the CPR as well as an implementing regulation under the EDD covering the same product. At the moment of the preparation of this study, implementing regulations under the EDD have been adopted for five product types which could at the same time be considered construction products if they are incorporated in construction works. Three of these implementing regulations do not explicitly consider a potential overlap between the implementing regulations under the EDD and the regulation under the CPR.

The IA for the implementing regulation for local space heaters, Commission Regulation (EU) 2015/1188 considers a potential overlap with the CPR. The IA however notes that no minimum requirements or mandatory information requirements regarding energy efficiency or emissions have thus far been issued under the CPR. The IA positively assesses the need for such requirements on the basis of the EDD. It is worth noting that such requirements could in the future be adopted under the CPR, on the basis of basic requirements 3, 6 and 7 as set out in Annex to the CPR.

Also Regulation (EU) 2015/1185 explicitly refers to the CPR, in its recital 18. The CPR is not explicitly referred to in the impact assessment. Recital 18 of this Regulation notes that solid fuel local space heaters are covered by harmonised standards to be used pursuant Article 7 of the CPR. **The recital continues that: "for the sake of legal certainty and simplification, it is appropriate for the corresponding harmonised standards to be revised in order to reflect the ecodesign requirements established by this Regulation."**

In the case of solid fuel local space heaters there is thus a clear simultaneous application of the requirements under the CPR and the EDD. However, as discussed previously, it is important to analyse whether such overlaps result in a lack of coherence between both instruments.

First, it is important to note in this context that both the CPR and EDD apply to a wide range of products. Five categories of products have thus far been considered both construction products and energy-related products. As mentioned above, the objectives of both instruments are moreover considered distinct but complementary. Still, some practical issues have been raised at several instances by stakeholders.

Stakeholders note, for example, that the implementing regulation under the EDD might go into much more detail about the characteristics of the product or while the standard under the CPR foresees one test for each essential requirement, the EDD may provide for more. Another stakeholder refers in this context specifically to the fact that the Declaration of conformity is usually quite different from the declaration of performance and concludes this creates confusion among producers, in particular among SMEs. Only one product category is currently subject to a harmonised standard under the CPR and an implementing regulation under the EDD, namely

³⁸⁹ European Parliament, Draft Report on the proposal for a regulation of the European Parliament and of the Council setting a framework for energy efficiency labelling and repealing Directive 2010/30/EU (COM(2015)0341 – C8-0189/2015 – 2015/0149(COD))

solid fuel local space heaters. Nevertheless, the adoption of new harmonised standards or implementing regulations for additional product categories could expand the practical scope of this issue.

Some stakeholders note that there are currently two avenues for CE marking for those products which are at the same time a construction product and an energy-related product. Moreover, one same CE marking applicable to a product type might have a different meaning, depending on its use.³⁹⁰

The 2015 evaluation study of the ELD and EDD did not identify specific overlaps between these instruments and the CPR. The study refers to overlaps between product requirements in other pieces of legislation, but these do not refer to the CPR.³⁹¹ The 2015 study on the analysis of the implementation of the CPR, however, noted similar issues as those raised by stakeholders above.³⁹² **The report notes that: "several stakeholders participating in the consultation noted that there is potentially an overlap between the CPR and the EDD and that such an overlap may be unnecessary, create a cumulative burden and contravene the principle of 'better regulation'."**³⁹³ One public authority quoted in the study noted that it should be the case that when you comply with requirements of legislation, you do not need to repeat tests under different legislation. Stakeholders also noted that there should be no doubling of procedures, requirements, standards and obligations for economic operators in horizontal legislation, like the EDD. Stakeholders also note that there should be explicit links between the CPR, on the one hand, and the EDD and ELD, on the other hand.

In this context, it is important to note that the affixing of a CE marking on a product type subject to the CPR and other legislation ensures, on the basis of Article 8(2) CPR, compliance with the requirements of the CPR as well as with the requirements of any such other sectoral harmonisation legislation. As such, while there might not be one integrated procedure for the affixing of the CE marking, the manufacturer, when affixing the CE marking, assumes responsibility for all applicable requirements to the product category, both under the CPR and other EU legislation, such as the EDD.

Secondly, the integration of eco-design requirements established under the EDD into a simultaneously applicable harmonised standard under the CPR, as suggested in Recital 18 of Regulation (EU) 2015/1185, aims at reducing the administrative burden for operators and enhancing coherence between the procedures under both legal instruments, while ensuring that compliance can be guaranteed with the requirements under and specific objectives of each of the separate legal instruments. This integration process would aim to meet the concerns of manufacturers related to similar parallel requirements under a harmonised standard and eco-design requirements.

The adoption or modification of harmonised standards is however a lengthy process and is not a sole competence of the European Commission. Close collaboration will be required between the European Commission and the European Standardisation Organisations. Finally, eco-design requirements will have to be integrated with an applicable standard, when adopted, for every product category.

³⁹⁰ For example, the CE marking for local space heaters may involve responsibility for compliance with the CPR, though only when the product is incorporated in construction works. This would most likely not be the case for portable local space heaters, which would however be subject to the requirements of the EDD.

³⁹¹ Commission Staff Working Document Accompanying document to the Proposal for a Directive of the European Parliament and of the Council on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products, Impact Assessment, COM(2008)778 final.

³⁹² Analysis of the implementation of the Construction Products Regulation, RPA Ltd, for DG GROW, 2015, p. 178.

³⁹³ Analysis of the implementation of the Construction Products Regulation, RPA Ltd, for DG GROW, 2015, p. 178.

Finally, stakeholders point to the lack of explicit *cross-references* to the energy-related product legislation in the CPR. Similar concerns were previously expressed about the EDD and ELD. These were addressed in the proposal for a new Energy Labelling Regulation, which has been identified as an important improvement by the EP. A similar introduction of explicit cross-references to the EDD and ELD in the CPR for construction products may prove necessary to enhance the understanding of obligations applicable to economic operators in the construction sector.

Overall, it can be concluded that several types of stakeholders under previous studies and the current fitness check point to a potential overlap between the procedures established under the CPR and EDD for construction products and possibly parallel routes for CE marking. Stakeholders point in particular to the possibility to adopt energy efficiency requirements and sustainability requirements more generally on the basis of basic requirements 3 and 7 set out in Annex to the CPR. They request that, when such requirements are adopted, priority for the regulation of construction products be given to the CPR route. The construction sector stakeholders add that, in the situation where the EDD route is required to improve the sustainability of the built environment, legislative processes must be consistent and coordinated.

Currently only one implementing measure under the EDD specifically refers to the parallel application of the CPR for the same product category. With a view to enhance the integration the procedures under the CPR and EDD, Recital 18 of this Regulation refers to the possible integration of eco-design requirements in the harmonised standard applicable to this product. The integration of such requirements is currently under discussion with the European Standardisation Organisations. It is worth noting that Article 8(2) of the CPR requires the manufacturer of a product, when affixing a CE marking, to assume responsibility for compliance with the requirements under the CPR and under any other applicable sector-specific EU legislation. As such, while procedures may not be fully integrated at this point in time, the CE marking stands for compliance with all applicable CE marking requirements under EU legislation.

Framework for establishing product requirements: European harmonised standards, implementing and delegating measures

The CPR lays down conditions for the placing or making available on the EU market of construction products by establishing harmonised rules on how to express the performance of such products. To this end, the CPR relies on harmonised technical specifications, which can take the form of existing harmonised standards or a new ETA which sets out the test methods to be used for the products covered by them. The scheme aims to ensure that products tested as established in the technical specifications can enter the EU market without additional national obstacles. European harmonised standards are prepared jointly by the competent authorities of the Member States and provide for methods and criteria for assessing the performance of construction products, provide for less onerous testing methods and establish control mechanism for verifying constancy of performance.³⁹⁴ There are currently over 400 hENs covering a broad range of construction products.³⁹⁵ Where no European standard exists or can be used for a construction product, a manufacturer may request an ETA, based on a European Assessment Document to be adopted for the product by a technical assessment body. The procedure for the adoption of a European Assessment Document and its content are set out in the CPR. Ecodesign requirements under the EDD are established through implementing measures or self-regulation measures for a specific product category. The EDD requires such implementing measures or self-regulation measures to be adopted when a product fulfils the criteria related to volume of trade of the product, environmental impact and potential for improving its energy consumption set out in the EDD. Since the EDD was adopted in 2009, 24 implementing measures have been adopted by means of Commission Regulations for specific product groups.³⁹⁶ Implementing measures are

³⁹⁴ Article 17 CPR.

³⁹⁵ Analysis of the implementation of the Construction Products Regulation, RPA Ltd, for DG GROW, 2015.

³⁹⁶ Evaluation of the Energy Labelling and Ecodesign Directives accompanying the document Report from the Commission to the European Parliament and the Council on the review of Directive 2010/30/EU of the European Parliament and of the Council of 19 May 2010 on the indication of labelling and standard product

adopted following an impact assessment and detailed study, including sector consultations. They shall moreover take consideration of EC environmental priorities and existing EC legislation and self-regulation for the product. Voluntary agreements or self-regulation measures may be adopted for specific product categories on the condition they meet the requirements set out in Annex VIII of the EDD, including, for example, that the measure is sector-wide, adopted in an open manner with the involvement of civil society and cost-effective. Annex VII EDD ensures that these measures shall refer to existing EU harmonised standards which shall be used for the assessments. Similarly to the EDD, the ELD requires delegated acts to be adopted when a product fulfils a set of criteria which include the energy saving potential of the product, the wide disparity of performance levels of products on the market or the existence of existing EU legislation and self-regulation mechanisms. The delegated acts set out issues such as the measurement standards and methods, information to be included in the technical documentation or the design and content of the label for the specific product category.

The CPR, EDD and ELD thus use different types of instruments for establishing the technical specifications which a product category must meet to enter the EU market. However, as there is a system to ensure that the different rules are taken into account, no specific issues of coherence were raised particularly in this respect by stakeholders. It is noted though that the timeframes for preparing technical specifications can be lengthy.

Finally, the CPR clarifies the margin of discretion left to Member States to establish national requirements on product performance in the construction sector. The European Court of Justice clarified, in a recent judgement against Germany that MS have the right to set performance requirements for construction products, provided that the free movement of products with the CE marking is not impeded, which is ensured by hENs.³⁹⁷

Room for self-regulation (Article 17 EDD)

Only the EDD contains the explicit possibility for product eco-design requirements to take the form of self-regulation. In its Article 17, the EDD allows for voluntary agreements or other self-regulation measures to be presented as alternatives for implementing measures. Annex VIII to the EDD establishes the very specific conditions under which such a self-regulation measure may be such an alternative.

The Commission assesses each self-regulatory initiative on a case by case basis after consulting the members of the Consultation Forum and taking into account the findings of the technical/economic preparatory study if available. In July 2015, two voluntary eco-design agreements had been accepted by the Commission.³⁹⁸ These do not cover construction products. **As stated in the 2015 evaluation of the EDD and ELD: "Experience to date with voluntary agreements has shown that they can work effectively when "inclusion" of a broad part of the market sector is possible, whilst "non-inclusion" of certain industry actors or groups has been the cause of opposition by stakeholders because of market distortion, unfair competition or missing out on the full savings potential. In addition, openness and transparency is crucial." The Commission is in the process of developing guidelines for voluntary agreements.**

The EDD and ELD also note that the existence of a voluntary agreement or a self-regulation measure shall be considered when adopting implementing measures or delegated acts.

information of the consumption of energy and other resources by energy-related products, COM(2015) 143 final.

³⁹⁷ Analysis of the implementation of the Construction Products Regulation, RPA Ltd, for DG GROW, 2015, p.112 and CJEU, Judgement of the Court (Tenth Chamber) of 16 October 2014, European Commission v Federal Republic of Germany Case C-100/13

³⁹⁸ Evaluation of the Energy Labelling and Ecodesign Directives accompanying the document Report from the Commission to the European Parliament and the Council on the review of Directive 2010/30/EU of the European Parliament and of the Council of 19 May 2010 on the indication of labelling and standard product information of the consumption of energy and other resources by energy-related products, COM(2015) 143 final.

The CPR does not foresee the possibility of self-regulation. In fact, one of the main objectives of the CPR was to enhance the free circulation of construction products in the EU internal market and to create a level playing field for all manufacturers of construction products. To this end, the still voluntary approach used under the CPD for Member States opting out of the CE marking obligation was changed to a mandatory approach for all Member States under the CPR. The approach followed under the EDD, ELD and CPR is thus apparently contradictory. This is however not necessarily considered to raise problems of coherence in itself. The flexibility introduced by voluntary agreements tailored to the specific sector and the minimum requirements established in Annex VIII EDD for such initiatives of self-regulation are mostly considered a positive aspect.³⁹⁹

Surveillance of products on the market

Rigorous enforcement of the product requirements is essential for ensuring a fair competition and a level-playing field in the EU market. The three instruments covered by this analysis implement compliance mechanisms aimed at monitoring the products that enter the EU market.

Article 28 CPR first implements a system of assessment and verification of constancy of performance of construction products. Manufacturers are bound, based on the requirements in Annex V to the CPR, for example, to ensure factory production controls and testing. In addition, Chapter VIII of the CPR establishes market surveillance and safeguard procedures. Under this chapter, the market surveillance authorities of the Member State shall carry out evaluations of products they have sufficient reason to believe do not meet the applicable (product-related or CPR) requirements. They can then require the economic operator to take all appropriate corrective measures to bring the product into compliance or to withdraw the product from the market. Similar measures may also be adopted for a product which is in compliance with the CPR but which still presents a risk to health and safety. The CPR also foresees the possibility for the Commission to take action against national measures from a Member State which is considered to be contrary to the EU legislation. Also the EDD contains similar measures, on the basis of which a Member State may oblige a manufacturer to make the product comply with the requirements of the implementing measure for the product. Also here, the Member State has the authority to prohibit the placing on the market of the product until compliance is established. In addition, and in line with the legal form of the EDD as a Directive, Article 20 of the EDD requires Member States to lay down penalties in their legislation for the infringement of provisions of the EDD. Similar requirements have been set out in the ELD in relation to the provisions on energy labelling.

Interviews with stakeholders and the literature review have not identified specific problems of coherence with the enforcement provisions of the three instruments.

2.4 Conclusions

The *objectives* of the CPR, ELD and EDD are clearly distinct and are mostly considered complementary and coherent. While, similarly to the CPR aiming to eliminate barriers in the EU internal market, the EDD also aims at reducing the overall negative impact of products placed on the EU market in the perspective of sustainable development. The ELD complements the EDD by setting a framework for the labelling and the provision of information regarding energy consumption.

There are currently five *product categories*, for which implementing regulations have been adopted under the EDD which can be considered construction products if incorporated in construction works, namely solid fuel boilers, (solid fuel) local space heaters and space/water heaters. . For one of these product categories, local space heaters as regulated in EC Regulation 2015/1188, the IA specifically refers to the CPR and concludes that no minimum requirements in relation to energy efficiency have been adopted for this product category under the CPR.

³⁹⁹ Ibid.

Also Regulation (EU) 2015/1185 explicitly refers to the CPR. Recital 18 of this Regulation notes that solid fuel local space heaters are covered by harmonised standards to be used pursuant Article 7 of the CPR. As such, this is the only product category currently covered by a harmonised standard under the CPR and ecodesign requirements under the EDD.

The different legal instruments do not use identical *definitions* of economic operators covered by the obligations nor of the term ‘placing on the market’. This could be problematic given the fact that the obligations established by each of the instruments might apply to the same operators, as is the case in the new implementing regulation on solid fuel space heaters. While the definitions in this case do not directly lead to substantial differences and inconsistencies, it is recommended in view of legal clarity to aim at using same definitions where possible, especially in the situation in which the requirements under the different instruments will apply to a same operator for making one same product available on the market.

The substantial requirements under the EDD and ELD are mostly considered coherent and complementary. Several stakeholders, however, point to a potential overlap between the procedures established under the CPR and EDD for construction products. Stakeholders explicitly raise the problem of establishing parallel routes for CE marking in this case. Currently only one implementing measure under the EDD relates to construction products covered by a harmonised standard under the CPR. It should be noted though that this issue could expand to other product categories when additional harmonised standards are adopted on the basis of basic requirements 3, 6 or 7 of the CPR or new implementing regulations are adopted under the EDD. The Regulation for solid fuel local space heaters recognises the potential for better integration by noting that, “for the sake of legal certainty and simplification, it is appropriate for the corresponding harmonised standards to be revised in order to reflect the ecodesign requirements established **by this Regulation.**” **The revision or adoption of harmonised standards** is often a lengthy process and would have to be tailored to each specific product category subject to parallel requirements. At this point in time, no such integration of ecodesign requirements in standards has been finalised though discussions to this end are ongoing. Finally, it is important to note that the parallel routes toward CE marking do not result in several CE markings. The CE marking is harmonised across the EU market and Article 8(2) CPR ensures that the affixing of the CE marking entails the assumption of responsibility by the manufacturer of compliance with CE marking requirements under not only the CPR, but also under other EU legislation.

The three instruments take particular account of the specific situation of SMEs in the construction sector. Stakeholders do not raise any imbalance or incoherence in the approach taken towards SMEs under the specific instruments.

The CPR, EDD and ELD use different types of instruments for establishing the technical specifications which a product category must meet to enter the EU market (European harmonised standards, ETAs, implementing and delegated acts). However, as there is a system to ensure that the different rules are taken into account, no specific issues of coherence were raised particularly in this respect by stakeholders. Finally, the potential integration of eco-design requirements in such standards could specifically enhance coherence for those product categories which are at the same time subject to requirements under both instruments.

Interviews with stakeholders and the literature review have not identified specific problems of coherence with the enforcement provisions of the three instruments.

3. CONSTRUCTION-RELATED EU LEGAL INSTRUMENTS ON ENERGY EFFICIENCY: Energy Efficiency Directive, Energy Performance of Buildings Directive, and Renewable Energy Sources Directive

The list of EU legal instruments identified for the purpose of this fitness check comprehend three main pieces of energy efficiency legislation that impact the construction sector, namely Directive 2012/27/EU (EED), Directive 2010/31/EU (EPBD) and Directive 2009/28/EC (RESO). These three instruments, to the extent to which they relate to the construction sector, will be analysed together for the purpose of this coherence sub-section.

3.1 Objectives of the Energy Efficiency Directive, Energy Performance of Buildings Directive, and Renewable Energy Sources Directive

In March 2007, the EU leaders committed Europe to become a highly energy-efficient, low carbon economy through the establishment of the so-called **"20-20-20" targets**. These targets – confirmed in the Europe 2020 Strategy – set three key objectives for 2020:

- A 20% reduction in EU greenhouse gas emissions from 1990 levels;
- Raising the share of EU energy consumption produced from renewable sources to 20%;
- **A 20% improvement in the EU's energy efficiency.**

The EED, EPBD and RESO were all enacted in this context. The objectives of the three legislative acts are therefore closely aligned in order to achieve the 20-20-20 targets. As the greatest energy savings potential lies in buildings, according to the Energy Efficiency Plan 2001⁴⁰⁰, the three Directives aim – to a higher or lesser degree – at tapping the considerable potential for higher energy savings in buildings. Therefore, the energy efficiency objectives in these three Directives are compatible.

The EED creates "a common framework to promote energy efficiency within the Union and lay[s] down specific actions to [...] achieve the significant unrealised energy saving potentials it identifies."⁴⁰¹ More particularly, the purpose of the EED, as provided in its Article 1(1), is to establish a **"common framework of measures for the promotion of energy efficiency within the Union in order to ensure the achievement of the Union's 2020 20 % headline target on energy efficiency and to pave the way for further energy efficiency improvements beyond that date"**.

The EPBD provides more concrete actions with a view to "achieving the great unrealised potential for energy savings and reducing the large differences" between programmes in the field of energy efficiency in the buildings sector.⁴⁰² In particular, the 2010 EPBD aims to promote the energy performance of buildings and building units, taking into account outdoor climatic and local conditions, as well as indoor climate requirements and cost-effectiveness. Its provisions cover energy needs for the heating of premises, the production of hot water, cooling, ventilation and lighting for new and existing buildings, whether they are residential or not. Recitals 3, 5 and 6 refer to the 20% energy efficiency and renewable sources targets.

The objective of the RESO, according to its Article 1, is to establish a "common framework for the promotion of energy from renewable sources". The RES Directive deals with renewable energy in the sectors of electricity and transport and – for the first time – introduces EU-wide legislation dealing with renewable energy in the heating and cooling sector. Recitals 8, 9, 13 and 17 refer to the 20% renewable sources target.

⁴⁰⁰ COM (2011) 109 final – Energy Efficiency Plan 2011.

⁴⁰¹ Recital 10 of the EED.

⁴⁰² See recital 7 of the 2002 EPBD.

Exhibit 3.1 General Objectives of EED, EPBD and RESD

EED	EPBD	RESD
<p>Art. 1(1) – This Directive establishes a common framework of measures for the promotion of energy efficiency within the Union in order to ensure the achievement of the Union’s 2020 20 % headline target on energy efficiency and to pave the way for further energy efficiency improvements beyond that date.</p> <p>It lays down rules designed to remove barriers in the energy market and overcome market failures that impede efficiency in the supply and use of energy, and provides for the establishment of indicative national energy efficiency targets for 2020.</p>	<p>Art. 1(1) – This Directive promotes the improvement of the energy performance of buildings within the Union, taking into account outdoor climatic and local conditions, as well as indoor climate requirements and cost-effectiveness.</p>	<p>Art. 1 – This Directive establishes a common framework for the promotion of energy from renewable sources. It sets mandatory national targets for the overall share of energy from renewable sources in gross final consumption of energy and for the share of energy from renewable sources in transport. [...]</p>

The EPBD, EED and RESD all have the common goal to reduce energy consumption and CO₂ emissions – the EED and the RESD targeting the economy in general and the EPBD focusing on buildings – and to achieve the 20-20-20 targets by promoting energy efficiency and use of RES. From a legal perspective, the texts are therefore considered coherent with regards to their general objectives and can certainly complement each other to achieve their respective goals. This was corroborated in the recent 2015 public consultation on the EPBD, where the majority of respondents stated that RES and energy efficiency measures **“face similar barriers and can generate synergies in [...] implementation”**.⁴⁰³ Many respondents to the 2015 public consultation on the EED have also stressed that, in general, the pieces of legislation on energy efficiency seem to work well with each other. For example, it has been said that **“[t]he EED has worked to complement other legislation and works well as a framework directive creating synergies.”**⁴⁰⁴

Further to synergies, here is a potential compatibility issue between these three Directives due to the interactions between energy efficiency and renewables in buildings: **“as buildings become more energy efficient, each additional energy efficiency measure will have diminishing (energy and carbon saving) returns, and renewable energy becomes relatively more cost effective”**.⁴⁰⁵⁻
⁴⁰⁶ According to the Concerted Action, as long as there is dialogue between policymakers and

⁴⁰³ See the answers to question 38 in Ecofys, Public Consultation on the Evaluation of the EPBD, Final Report, Nov. 2015. Hereinafter ‘EPBD Public Consultation Report’.

⁴⁰⁴ See the reaction of EuroACE to question 1.2 of the 2015 EED Public Consultation.

⁴⁰⁵ See: CA-RES, WG 4. RES and district heating available at: https://ec.europa.eu/energy/intelligent/projects/sites/iee-projects/files/projects/documents/ca-res_working_group_publication_no_4_en.pdf.

⁴⁰⁶ See, for instance, the example of Sweden. According to Göteborg Energi AB (in their answer to question 1.2 of the 2015 public consultation on the EED), **“there is a conflict between RED and EED. The RED, supported by EPBD, promotes the use of renewables for heating buildings. In Swedish district heating systems, the main sources of heat are renewables and recovered heat from CHP, waste-to-energy (often co-generation) and industrial waste heat. We believe that priority should be given to recovered heat rather than renewables, since renewables can be put to use elsewhere, which is not the case with recovered heat. The Swedish implementation has put renewables higher than recovered heat, which in practice puts district heating to a disadvantage in comparison to individual heating based on electricity.”** The same concern is

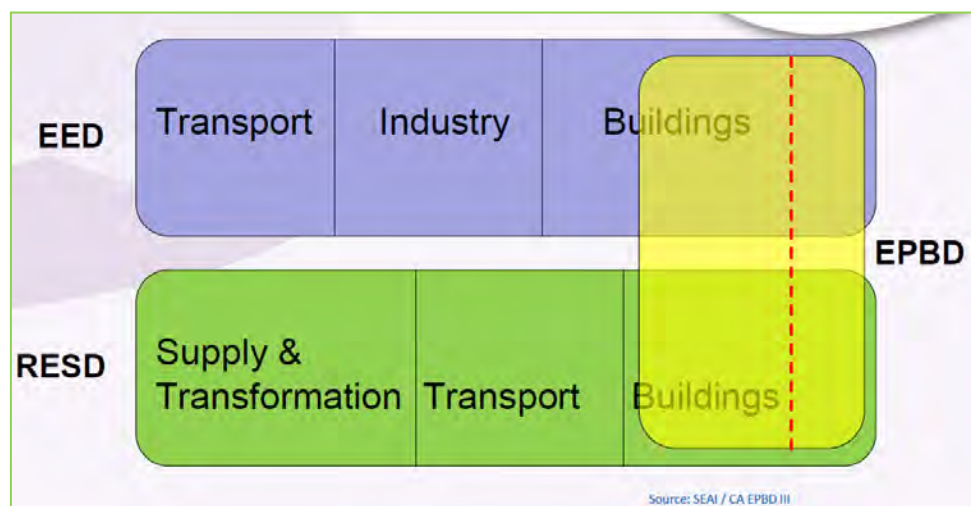
stakeholders at the EU and national level on the appropriate balance between building-related energy efficiency and renewable energy technologies, this potential compatibility issues can be partially addressed. However, the fact that in almost half of Member States the decision makers and officials responsible for implementing the building regulation aspects of the RESD/EED and the EPBD were employed in different ministries will impede the efficient contribution of these Member States to reach the 20-20-20 targets.⁴⁰⁷

3.2 Scope and definitions in the Energy Efficiency Directive, Energy Performance of Buildings Directive, and Renewable Energy Sources Directive

Scope of the legislation

The EED is seen as providing the general framework for energy efficiency, consisting of several policy areas where other Directives go into more detail, such as on buildings and products. With regard to buildings, the main pieces of legislation are in particular the EPBD and the RESD that work together with the EED. The following exhibit illustrates this relationship. Hence, the Study does not show any inconsistency in the scope of the three instruments.

Exhibit 3.2 Link between EED, EPBD and RESD⁴⁰⁸



Exclusions from the scope of the legislation

Pursuant to the EED, EPBD and RESD, some buildings may be exempted – under certain conditions – from some of the energy efficiency requirements laid down in these pieces of EU legislation. In the case of Article 5(2) of the EED and Article 4(2) of the EPBD, the exemptions are optional i.e. they apply only if the Member State decides to do so.

heard by the Finnish Forest Industries Federation: "EED overlaps the RES target and GHG target. One target which should be GHG target would be optimal solution because then companies and countries could choose the most efficient way to reduce greenhouse gases". Further, the Confederation of Swedish Enterprise has supported the one target-approach, and thinks that the climate target should be the superior target. Energy efficiency and renewable energy are means to get there.

⁴⁰⁷ FEDARENE stated the following during the 2015 public consultation on the EED, with regard to question 1.2: "An example of the kind of problems that can occur is where different government departments or other public bodies are made responsible for the implementation of different, but overlapping or synergistic legislation, and do not coordinate effectively at national or regional level. For this reason, it would be useful to 'tidy up' the legislation at EU level, and make the links and connections clearer, while at the same time checking for full coherence and for any potential contradictions or misinterpretations."

⁴⁰⁸ J. Magyar, CA EED – Core Theme 6, CA EPBD meeting in Dubrovnik – outcomes on co-ordinated approaches to training and accreditation of experts (EPBD recast Article 17 and EED Article 16), Oct. 2014.

Exhibit 3.3 Exemptions in the EED, EPBD and RESD

EED	EPBD	RESD
<p>Art. 5(2) on the exemplary role of public bodies' buildings Member States may decide not to set or apply the requirements referred to in paragraph 1 to the following categories of buildings:</p> <ul style="list-style-type: none"> (a) buildings officially protected as part of a designated environment, or because of their special architectural or historical merit, in so far as compliance with certain minimum energy performance requirements would unacceptably alter their character or appearance; (b) buildings owned by the armed forces or central government and serving national defence purposes, apart from single living quarters or office buildings for the armed forces and other staff employed by national defence authorities; (c) buildings used as places of worship and for religious activities. <p>Art. 6(2) on the purchasing by public bodies The obligation referred to in paragraph 1 shall apply to the contracts of the armed forces only to the extent that its application does not cause any conflict with the nature and primary aim of the activities of the armed forces. The obligation shall not apply to contracts for the supply of military equipment as defined by Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security.</p>	<p>Art. 4(2) on the setting of minimum energy performance requirements Member States may decide not to set or apply the requirements referred to in paragraph 1 to the following categories of buildings:</p> <ul style="list-style-type: none"> (a) buildings officially protected as part of a designated environment or because of their special architectural or historical merit, in so far as compliance with certain minimum energy performance requirements would unacceptably alter their character or appearance; (b) buildings used as places of worship and for religious activities; (c) temporary buildings with a time of use of two years or less, industrial sites, workshops and non-residential agricultural buildings with low energy demand and non-residential agricultural buildings which are in use by a sector covered by a national sectoral agreement on energy performance; (d) residential buildings which are used or intended to be used for either less than four months of the year or, alternatively, for a limited annual time of use and with an expected energy consumption of less than 25 % of what would be the result of all-year use; (e) stand-alone buildings with a total useful floor area of less than 50 m². 	<p>Art. 13(4) on introducing renewable energy into building regulations and codes The requirements of the first subparagraph shall apply to the armed forces, only to the extent that its application does not cause any conflict with the nature and primary aim of the activities of the armed forces and with the exception of material used exclusively for military purposes.</p>

Although the content of Arts.5-6 EED, Art.4 EPBD and Art.13(4) RESD is not really comparable, all four provisions aim at raising energy performance, energy efficiency or renewable energy in buildings. The number of potential exemptions to this goal is considerably higher in the EPBD in comparison with the RESD. EPBD exemptions relate to officially protected buildings, places of worship, temporary buildings with low energy demand, residential buildings with limited use and small stand-alone buildings. The EED has the first two exemptions in common with the EPBD and adds buildings owned by the armed forces to its exemptions list. This addition is, on its turn, **the only exemption foreseen in the RESD and only when it could "cause conflict with the nature and primary aim of the activities of the armed forces"**. It is nowhere stated why different exemptions are used for each piece of legislation, but there is no inconsistency in the wording used and there have been no known problems with the reported differences.

Application to SMEs

As the Terms of Reference for this study ask to pay **particular attention to "the SME related aspects and to the impacts of this legislation on them"**, it is helpful to see whether SMEs are indeed effectively taken up in the scope of application of Directives 2012/27/EU, 2010/31/EU and 2009/28/EC.

Exhibit 3.4 SME provisions in EED, EPBD and RESD

EED	EPBD	RESD
<p>Recital 24 – To tap the energy savings potential in certain market segments where energy audits are generally not offered commercially (such as small and medium-sized enterprises (SMEs)), Member States should develop programmes to encourage SMEs to undergo energy audits.</p> <p>Recital 41 – Most Union businesses are SMEs. They represent an enormous energy saving potential for the Union. To help them adopt energy efficiency measures, Member States should establish a favourable framework aimed at providing SMEs with technical assistance and targeted information.</p> <p>Art. 8(2) – Member States shall develop programmes to encourage SMEs to undergo energy audits and the subsequent implementation of the recommendations from these audits. [...]</p> <p>Art. 18 – Member States shall promote the energy services market and access for SMEs to this market by: [...]</p>	<p>Recital 19 - Union financial instruments should be used to give practical effect to the objectives of this Directive, without however substituting national measures. [...] They could play an important role in the development of national, regional and local energy efficiency funds, instruments, or mechanisms, which deliver such financing possibilities to private property owners, to small and medium-sized enterprises and to energy efficiency service companies.</p>	<p>Recital 3 – Production of energy from renewable sources often depends on local or regional small and medium-sized enterprises (SMEs). The opportunities for growth and employment that investment in regional and local production of energy from renewable sources bring about in the Member States and their regions are important.</p> <p>Recital 4 - When favouring the development of the market for renewable energy sources, it is necessary to take into account the positive impact on regional and local development opportunities, export prospects, social cohesion and employment opportunities, in particular as concerns SMEs and independent energy producers.</p>

Neither the recitals (apart from recital 19 of the EPBD, which refers to financial instruments) nor any of the provisions in the EPBD refer to SMEs. The Impact Assessment carried out for the EPBD neither includes a section on the impact of the EPBD on SMEs.⁴⁰⁹ This does not constitute a potential gap as this Directive is fully directed towards the European construction sector, which is for around 99% composed of SMEs.⁴¹⁰ The EPBD therefore implicitly pays particular attention to SMEs.

The RESD acknowledges, in its recitals 3 and 4, that the market for renewable energy sources will specifically impact SMEs. Also Article 14 of the RESD, which deals with training and certification of renewable energy equipment installers, is particularly important for SMEs: **building owners will need the 'professional guidance, technical advice and sales services of the large community of experienced and trained construction crafts and SMEs throughout Europe, which need to become "energy advisors"'**.⁴¹¹ A particular mention of SMEs in this Article 14 is not provided. This is consistent with the Impact Assessment carried out prior to the adoption of the RESD, which does not mention SMEs at all.⁴¹²

The EED, finally, explicitly refers to the fact that "[m]ost Union businesses are SMEs" and that, therefore, special help is needed for SMEs to adopt energy efficiency measures (Article 8). The impact of the energy efficiency goals laid down in the EED on SMEs is largely dealt with within the directive itself. Also the Impact Assessment carried out for the EED regularly refers the specificities of SMEs.⁴¹³

All in all, the three main directives impacting the construction sector with regard to energy efficiency measures have taken SMEs into account in their scope of application. It can further be emphasised that the EED, which includes a definition of SMEs in its Article 2(26), makes a direct cross-reference to the definition laid down in Title I of the Annex to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises – hereby enhancing horizontal coherence on a large scale.

Definitions

Inconsistencies have emerged regarding the definitions used in the EED, EPBD and RESD, although their practical impact appears to be minimal.

Energy. The EED specifically focuses on achieving the 20% energy efficiency target; the EPBD promotes the energy performance of buildings and the RESD applies to energy from renewable sources. All three directives therefore relate to the control of European energy consumption in order to reduce greenhouse gas emissions.

⁴⁰⁹ Communication Staff Working Document, Accompanying document to the Proposal for a Recast of the Energy Performance of Buildings Directive (2002/91/EC) – Impact Assessment, COM(2008) 780 final, SEC(2008) 2865.

⁴¹⁰ <http://www.ueapme.com/spip.php?rubrique17>

⁴¹¹ UEAPME, Position of the UEAPME Construction Forum on "Directive on the promotion of the use of energy from renewable sources" (COM/2008/19/final), 1 September 2008.

⁴¹² Communication Staff Working Document, Impact Assessment, Document accompanying the Package of Implementation measures for the EU's objectives on climate change and renewable energy for 2020, Proposals for Directive of the European Parliament and of the Council amending Directive 2003/87/EC so as to improve and extend the EU greenhouse gas emission allowance trading system, Decision of the European Parliament and of the Council on the effort of Member States to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction commitments up to 2020, Directive of the European Parliament and of the Council on the promotion of use of renewable energy sources, SEC(2008) 85.

⁴¹³ Communication Staff Working Document, Impact Assessment, Accompanying the document Directive of the European Parliament and of the Council on energy efficiency and amending and subsequently repealing Directives 2004/8/EC and 2006/32/EC, SEC(2011)779.

Exhibit 3.5 **'Energy' definitions in EED, EPBD and RESD**

EED	EPBD	RESD
<p>Art. 2(1) – 'energy' means all forms of energy products, combustible fuels, heat, renewable energy, electricity, or any other form of energy, as defined in Article 2(d) of Regulation (EC) No 1099/2008 of the European Parliament and of the Council of 22 October 2008 on energy statistics;</p> <p>Art. 2(4) - 'energy efficiency' means the ratio of output of performance, service, goods or energy, to input of energy;</p>	<p>Art. 2(4) - 'energy performance of a building' means the calculated or measured amount of energy needed to meet the energy demand associated with a typical use of the building, which includes, inter alia, energy used for heating, cooling, ventilation, hot water and lighting;</p> <p>Art. 2(5) - 'primary energy' means energy from renewable and non-renewable sources which has not undergone any conversion or transformation process;</p> <p>Art. 2(6) - 'energy from renewable sources' means energy from renewable non-fossil sources, namely wind, solar, aerothermal, geothermal, hydrothermal and ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas and biogases;</p>	<p>Art. 2(a) - 'energy from renewable sources' means energy from renewable non-fossil sources, namely wind, solar, aerothermal, geothermal, hydrothermal and ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas and biogases;</p>

All three Directives make extensive use of the words 'energy', 'primary energy', 'energy from renewable sources' (or renewable energy) and 'energy efficiency', but these terms are not defined in each act and it is not straightforward why this is not the case. The EED, for example, includes provisions on 'primary energy savings' and 'primary energy consumption' but 'primary energy' is not defined, and there is neither a cross-reference to this definition in the EPBD. The definition of 'energy', on the other hand, is only explicitly provided for within the EED.

'Energy from renewable sources' is defined in both the EPBD and the RESD (but not in the EED) and these definitions are literally the same, hence not leading to any incoherence problems. However, all three legal instruments also use the terms 'renewable energy sources' and 'renewable energy' (even within the EED's 'energy' definition), instead of opting for a consistent terminology.

Further, while the EED provides a definition of 'energy efficiency', an explicit definition – or a cross-reference to the EED – has not been included in the EPBD or the RESD, even though the term is used multiple times throughout these two directives.

However, even though, from a purely legal perspective, there is a gap and an inconsistency with most terms related to 'energy', literature, jurisprudence, and stakeholder interviews have not highlighted any specific practical problems in this regard.

Renovation of buildings. The EPBD, the EED and the RESD all include provisions that apply to new buildings and existing buildings that are subject to major renovation. The EPBD includes various definitions related to buildings, in particular: 'building', 'building envelope', 'building unit' and 'building element' (Art. 2 EPBD). The term 'building' is only defined in the EPBD and a definition is lacking in both the EED and the RESD. The term 'building envelope' is also used in the EED, as is the term 'building element'. Only the definition of the latter is cross-referenced to Art. 2(9) of the EPBD (see Art. 16 and 17 EED), while the definition of the former is missing. Even though there is hence a gap in the EED and RESD with most terms related to 'building', the literature, the jurisprudence, and stakeholder interviews have not highlighted any specific practical problems in this regard.

While the EPBD defines the term 'building', it does not include a definition or description of what may constitute a 'new building' – to which an entire article is devoted (ref. Art. 6 EPBD). No confusion or interpretation issues with regard to this term have however been reported.

'Major renovation' is defined in Article 2(10) of the EPBD as "the renovation of a building where:

- a) the total cost of the renovation relating to the building envelope or the technical building systems is higher than 25 % of the value of the building, excluding the value of the land upon which the building is situated; or
- b) more than 25 % of the surface of the building envelope undergoes renovation."

Recital 16 of the EPBD explains this definition by stating that "Member States should be able to choose to define a 'major renovation' either in terms of a percentage of the surface of the building envelope or in terms of the value of the building. If a Member State decides to define a major renovation in terms of the value of the building, values such as the actuarial value, or the current value based on the cost of reconstruction, excluding the value of the land upon which the building is situated, could be used."

The exhibit below shows whether and how major renovations are defined in the other two legal instruments.

Exhibit 3.6 **'Major renovation' definitions in the EPBD, EED and RESD**

Terms used	EED	EPBD	RESD
Major renovation	<p>Recital 30 - When a connection is made in a new building or a building undergoes major renovations, as defined in Directive 2010/31/EU, [...]</p> <p>Art. 9(1)(b) – [...] a new connection is made in a new building or a building undergoes major renovations, as set out in Directive 2010/31/EU.</p>	<p>Art. 2(10) – 'major renovation' means the renovation of a building where:</p> <p>a) the total cost of the renovation relating to the building envelope or the technical building systems is higher than 25 % of the value of the building, excluding the value of the land upon which the building is situated; or</p> <p>b) more than 25 % of the surface of the building envelope undergoes renovation ;</p>	<p>Art. 13(4) – [...] in new buildings and in existing buildings that are subject to major renovation.</p>
Substantial refurbishment	<p>Art. 2(44) - 'substantial refurbishment' means a refurbishment whose cost exceeds 50 % of the investment cost for a new comparable unit;</p>	/	/
Deep renovation	<p>Recital 16 – [...] That strategy should address cost-effective deep renovations which lead to a refurbishment that reduces both the delivered and the final energy consumption of a building by a significant percentage compared with the pre-renovation levels leading to a very high energy performance. Such deep renovations could also be carried out in stages.</p> <p>Art. 4(c) – This strategy shall encompass : policies and measures to stimulate cost-effective deep renovations of buildings, including staged deep renovations;</p> <p>Art. 5 (6) – [...] whereby they take other cost-effective measures, including deep renovations and measures for behavioural change of occupants [...]</p>	/	/
Comprehensive renovation	<p>Art. 4 - When implementing measures for the comprehensive renovation of central government buildings in accordance with the first subparagraph, [...]</p>	/	/

With regard to the definition of 'major renovation', the EED correctly cross-references to the EPBD, while the RESD uses the term but does not provide any cross-reference. The EED further seems to use other similar terms to major renovation, such as 'substantial refurbishment', 'deep renovation' and 'comprehensive renovation'. The first of these terms is defined in Article 2(44) EED, but a definition of 'comprehensive renovation' is lacking and a clear definition of 'deep renovation' can only be found through recital 16 and through the Article 6 guidance document⁴¹⁴. This guidance document states the following: "Although 'deep renovations' are not defined in the Directive, Recital 16 refers to them as renovations 'which lead to a refurbishment that reduces both the delivered and the final energy consumption of a building by a significant percentage compared with the pre-renovation levels leading to a very high energy performance'. This implies that such renovations must at least go beyond the minimum efficiency requirements set under the EPBD." The term 'deep renovation', used in the EED, is explained by the Commission by making a direct reference to the EPBD, hence creating an unmistakable link between the EED and the EPBD. While a greater consistency would be certainly desirable from a strictly legal point of view, it must be noted that neither the literature and jurisprudence reviewed nor the stakeholders consulted, have highlighted situations in which definitional issues have resulted in any tangible consequence for construction sector operators. Some stakeholders, in the public consultation on the review of progress on the 2020 energy efficiency objective, called for a revision of the EPBD and relevant parts of the EED "to include a measurable definition of deep renovations and a quantifiable objective to accelerate deep renovations of residential and tertiary buildings".⁴¹⁵ Related hereto, also an EU-wide definition of 'staged deep renovation' would be welcomed by energy efficient stakeholders, as there are different definitions at MS level.⁴¹⁶ However, construction sector operators appear to have a more lukewarm attitude, as some fear that such definition may not be easily adaptable to the different country contexts, preferring to rely on common business practice (based upon costs of the work, complication of the work, historical elements of the building, need for specialised staff, etc.).

The question of what a definition of 'deep renovation' (or refurbishment or retrofit) at EU level could be has been tackled by, inter alia, the Global Buildings Performance Network. ⁴¹⁷ According to its research, "the definition of deep renovation varies between the regions. In Europe most definitions focus on heating, cooling, ventilation and hot water and the general understanding is that these should lead to an improvement of at least 75 % in the before and after performances of the treated building".⁴¹⁸ Notably, the majority of construction stakeholders interviewed during the course of this study have pointed out that any definition of major or deep renovation may well be in line with national legislation, but does not necessarily comply with common business practice. For construction companies, a major renovation is simply a renovation work that implies considerable costs or a complicated renovation work, for example because the historical elements of the building are imposing some limits, or because highly specialised staff or highly technological solutions are required.

⁴¹⁴ Commission Staff Working Document, Guidance note on Directive 2012/27/EU on energy efficiency, amending Directives 2009/125/EC and 2010/30/EC, and repealing Directives 2004/8/EC and 2006/32/EC, Article 6: Purchasing by public bodies Accompanying the document Communication from the Commission to the European Parliament and the Council Implementing the Energy Efficiency Directive – Commission Guidance, SWD(2013)446final

⁴¹⁵ European Commission (2014), Report of the public consultation on the review of progress on the 2020 energy efficiency objective, at p.9 available at: https://ec.europa.eu/energy/sites/ener/files/documents/2014_summary_report_energy2020.pdf (last accessed on May 2016).

⁴¹⁶ Ecofys, Public Consultation on the Evaluation of the EPBD, Final Report, Nov. 2015.

⁴¹⁷ See: GBPN, What is a deep renovation definition?, Technical Report, Feb. 2013; and Shnapp, Sitjà Gibert and Higgins, How can we renovate deeply if we don't know what that is?, ECEEE 2013 Summer Study Proceedings, 1617-1625.

⁴¹⁸ Shnapp, S., Gibert, R.S. and C. Higgins (2013), How can we renovate deeply if we don't know what that is?, ECEEE Summer Study proceedings, pp. 1617 and ff., at p. 1617.

3.3 Substantive requirements established by the Energy Efficiency Directive, Energy Performance of Buildings Directive, and Renewable Energy Sources Directive

Several areas can be identified where the EED, EPBD and RESD may potentially overlap or – positively – create synergies. The following table, which only focuses on the substantive requirements in the three directives that are related to the construction sector, gives a short overview.⁴¹⁹

Exhibit 3.7 Areas of potential overlap between the EED, EPBD and RESD

Interactions and synergies	EED	EPBD	RESD
Public buildings	Articles 5, 6	Articles 11, 13	Article 13(5)
Certification / auditing	Article 8	Articles 11, 12, 14, 15	/
Training and accreditation	Articles 8, 16	Article 17	Article 14(3)
Information	Article 17	Article 20	Article 14
Control	Article 8, Annex VI	Article 18, Annex II	Article 14(3), Annex IV
Mutual recognition	Article 16(3)	/	Article 14(3)

Public buildings

The EED, EPBD and RESD all include provisions in relation to public/central government buildings and the exemplary role of the public sector in the area of energy efficiency.

⁴¹⁹ A more elaborate overview, showing nine identified areas of potential synergy, is provided in: CA-EPBD, Implementing the EPBD – featuring country reports, 2016, p.104.

Exhibit 3.8 Provisions on public buildings in the EED, EPBD and RESD

	EED	EPBD	RESD
Recitals	<p>Recital 15 – The total volume of public spending is equivalent to 19 % of the Union’s gross domestic product. For this reason the public sector constitutes an important driver to stimulate market transformation towards more efficient products, buildings and services, as well as to trigger behavioural changes in energy consumption by citizens and enterprises.</p> <p>Recital 17 – Buildings owned by public bodies account for a considerable share of the building stock and have high visibility in public life. It is therefore appropriate to set an annual rate of renovation of buildings owned and occupied by central government on the territory of a Member State to upgrade their energy performance. This renovation rate should be without prejudice to the obligations with regard to nearly-zero energy buildings set in Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings. The obligation to renovate central government buildings in this Directive complements that Directive, which requires Member States to ensure that when existing buildings undergo major renovation their energy performance is upgraded so that they meet minimum energy performance requirements.</p> <p>Recital 19 – With regard to the purchase of certain products and services and the purchase and rent of buildings, central governments which conclude public works, supply or service contracts should lead by example and make energy-efficient purchasing decisions.</p>	<p>Recital 21 – The public sector in each Member State should lead the way in the field of energy performance of buildings, and therefore the national plans should set more ambitious targets for the buildings occupied by public authorities.</p> <p>Recital 23 – Public authorities should lead by example and should endeavour to implement the recommendations included in the energy performance certificate.</p> <p>Recital 24 – Buildings occupied by public authorities and buildings frequently visited by the public should set an example by showing that environmental and energy considerations are being taken into account and therefore those buildings should be subject to energy certification on a regular basis.</p>	/

<p>Articles</p>	<p>Art. 5 - Exemplary role of public bodies' buildings 1. Without prejudice to Article 7 of Directive 2010/31/EU, each Member State shall ensure that, as from 1 January 2014, 3 % of the total floor area of heated and/or cooled buildings owned and occupied by its central government is renovated each year to meet at least the minimum energy performance requirements that it has set in application of Article 4 of Directive 2010/31/EU. [...]</p> <p>Art. 6 – Purchasing by public bodies 1. Member States shall ensure that central governments purchase only products, services and buildings with high energy-efficiency performance, insofar as that is consistent with cost-effectiveness, economical feasibility, wider sustainability, technical suitability, as well as sufficient competition, as referred to in Annex III. [...]</p>	<p>Art. 11(5) - Subject to national rules, Member States shall encourage public authorities to take into account the leading role which they should play in the field of energy performance of buildings, inter alia, by implementing the recommendations included in the energy performance certificate issued for buildings owned by them within its validity period.</p> <p>Art. 13 - Member States shall take measures to ensure that where a total useful floor area over 500 m² of a building for which an energy performance certificate has been issued in accordance with Article 12(1) is occupied by public authorities and frequently visited by the public, the energy performance certificate is displayed in a prominent place clearly visible to the public. On 9 July 2015, this threshold of 500 m² shall be lowered to 250 m².</p>	<p>Art. 13(5) – Member States shall ensure that new public buildings, and existing public buildings that are subject to major renovation, at national, regional and local level fulfil an exemplary role in the context of this Directive from 1 January 2012 onwards.</p>
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Article 5 of the EED stipulates that central governments should continue, as previously required by the Energy Services Directive, to play their exemplary role in energy efficiency through the renovation of the buildings they own or occupy and which do not meet the minimum efficiency requirements set under the EPBD (Article 4 and Annex I). The article also contains obligations for Member States to encourage public bodies at regional and local level to follow the central **government's exemplary role (art.5(7))**.⁴²⁰

Article 13 of the EPBD relates to the issuance and clearly visible display of the **public authorities'** energy performance certificates, while Article 11 urges the public authorities to lead by example through the implementation of the recommendations included in the energy performance certificate. The exemplary role of public buildings (this time with regard to the use of renewable energy technologies) is further emphasised in Article 13(5) of the RESD.

At first sight, there seems to be overlap between the legislative provisions for public buildings as the three Directives all emphasise **the exemplary role of public bodies' buildings**, but, in practice, these overlaps should rather be considered to be positive synergies. The following box, as elaborated by CA EED, gives a good illustration.⁴²¹

Exhibit 3.9 Potential overlaps related to the exemplary role of public bodies' buildings

Public buildings	EED – Art.5	EPBD – Art.11(5) + Art. 13	RESD – Art.13(5)
What is it about? (content)	Existing buildings. <u>Minimum energy performance requirement for renovation of central government buildings.</u>	Buildings where a total useful floor area over 500 m ² is occupied by a public authority and frequently visited by the public (threshold lowered to 250 m ² on 9 July 2015). <u>Display of energy performance certificates</u> in a prominent place clearly visible to the public. Public authorities should <u>implement the recommendations</u> included in the energy performance certificate.	<u>New build and buildings subject to major renovation</u> fulfil an exemplary role – potentially through complying with standards for <u>nearly zero energy housing</u> or by providing that the roofs of public or mixed private-public buildings are used for <u>producing renewable energy</u> .
Who is it for? (target audience)	Public authorities	Public authorities	National, regional and local public authorities
Method and process (the how)	Exemplary role	Exemplary role	Exemplary role

All in all, many stakeholders have indeed emphasised the positive synergies with existing legislation for buildings, especially in relation to the energy efficiency of public buildings and the public purchases.⁴²² However, there are also some stakeholders who stated during the 2015 public consultation on the EED that the EED has clear overlaps with the EPBD, especially with

⁴²⁰ CA EED, **Following central government's exemplary role in building renovation**, Executive Summary Report 2.3, Core Theme 2 - Public Sector: public buildings and public purchasing, Working Group 3, April 2014

⁴²¹ CA EED, Joint Working Group on potential topics for cooperation between the Concerted Actions, 2013.

⁴²² See, for example, the answer of an anonymous source to question 1.2 of the 2015 public consultation on the EED.

regard to the exemplary role of public bodies' buildings, suggesting that the related provisions do not work together but instead work in parallel to each other.⁴²³ Therefore, a "thorough harmonization and coordination" is asked for by these stakeholders.

Also Article 6 EED relates to the exemplary role of public authorities. The article establishes the principle that, when central governments purchase products, buildings and services, they must ensure high energy efficiency and comply with the standards listed in Annex III (which is not exhaustive). This Article does not introduce a new approach to the EU rules on energy efficient procurement (as already laid down in the Energy Services Directive and the Energy Labelling Directive) but merely extends the scope of the obligation to additional items. Also, the rules of the EED must be in line with the Public Procurement Directive.⁴²⁴ The question whether all EU public procurement rules relating to sustainability should be gathered into a single EU guidance framework has been included in the recent open public consultation on the EED.⁴²⁵ Another stakeholder raised concerns over the clarity of Article 6 and Annex III, and cross-references to different EU acts and labelling schemes, as well as the lack of mandatory requirements for local/public authorities and public utilities.⁴²⁶ Finally, the majority of the 300 respondents to the 2015 public consultation on the EED think that there is insufficient guidance to characterise **"energy efficient products, services and buildings"**.⁴²⁷

Schemes related to the assessment of a building (unit)

Between the EED and the EPBD, four different schemes are set up to assess the energy efficiency of a building (unit) by an expert.⁴²⁸ These schemes are the following:

- energy performance certification of residential buildings
- inspection of heating systems
- inspection of air-conditioning systems
- energy audit of large companies, which can include their buildings.

The EPBD requires regular inspection of heating and air-conditioning systems (Articles 14 and 15). In addition, according to Articles 11 to 13 of the EPBD, Member States shall also ensure **that an energy performance certificate ("EPC") is issued for buildings or building units which are constructed, sold or rented out to a new tenant, along with periodic certification of buildings which are owned by public authorities and frequently visited by the public.** Further, a voluntary common European Union certification scheme for the energy performance of non-residential buildings is also adopted. The EED includes a requirement for energy auditing (Article 8).

⁴²³ See, for example, the reaction of EnR (European Energy Network) to question 1.2 of the 2015 public consultation on the EED.

⁴²⁴ **Recital 19 of the EED states: "The provisions of the Union's public procurement directives should not however be affected."**

⁴²⁵ See question 7.3 at <https://ec.europa.eu/energy/en/consultations/consultation-review-directive-201227eu-energy-efficiency>.

⁴²⁶ See the reaction of an anonymous stakeholder to question 2.1 of the 2015 public consultation on the EED.

⁴²⁷ See the answers to question 2.3 of the 2015 public consultation on the EED.

⁴²⁸ A fifth scheme, the voluntary energy performance certification of non-residential buildings under 11(9) of EPBD, has not yet been adopted.

Exhibit 3.10 Provisions on schemes related to the assessment of a building (unit) in the EED and EPBD

	EED – mandatory energy audit	EPBD – energy performance certificates	EPBD – regular inspection
Background	Recital 24 - To tap the energy savings potential in certain market segments where energy audits are generally not offered commercially (such as small and medium-sized enterprises (SMEs)), Member States should develop programmes to encourage SMEs to undergo energy audits. Energy audits should be mandatory and regular for large enterprises, as energy savings can be significant.	Recital 22 - The prospective buyer and tenant of a building or building unit should, in the energy performance certificate, be given correct information about the energy performance of the building and practical advice on improving such performance. Information campaigns may serve to further encourage owners and tenants to improve the energy performance of their building or building unit. Owners and tenants of commercial buildings should also be encouraged to exchange information regarding actual energy consumption, in order to ensure that all the data are available to make informed decisions about necessary improvements. The energy performance certificate should also provide information about the actual impact of heating and cooling on the energy needs of the building, on its primary energy consumption and on its carbon dioxide emissions.	Recital 26 - Regular maintenance and inspection of heating and air-conditioning systems by qualified personnel contributes to maintaining their correct adjustment in accordance with the product specification and in that way ensures optimal performance from an environmental, safety and energy point of view. An independent assessment of the entire heating and air-conditioning system should occur at regular intervals during its lifecycle in particular before its replacement or upgrading. In order to minimise the administrative burden on building owners and tenants, Member States should endeavour to combine inspections and certifications as far as possible.
Content	Art. 8 (1) - Member States shall promote the availability to all final customers of high quality energy audits [...]	Art. 11 (1) - Member States shall lay down the necessary measures to establish a system of certification of the energy performance of buildings. The energy performance	Art. 14 (1) - Member States shall lay down the necessary measures to establish a regular inspection of the accessible parts of systems used for heating buildings, such

	<p>Art. 8 (4) - Member States shall ensure that enterprises that are not SMEs are subject to an energy audit carried out in an independent and cost-effective manner by qualified and/or accredited experts or implemented and supervised by independent authorities under national legislation by 5 December 2015 [...]</p> <p>Art. 2 (25) - 'energy audit' means a systematic procedure with the purpose of obtaining adequate <u>knowledge of the existing energy consumption profile of a building or group of buildings</u>, an industrial or commercial operation or installation or a private or public service, <u>identifying and quantifying cost-effective energy savings opportunities</u>, and reporting the findings;</p>	<p>certificate shall include the <u>energy performance of a building and reference values</u> such as minimum energy performance requirements in order to make it possible for owners or tenants of the building or building unit to compare and assess its energy performance.</p> <p>The energy performance certificate may include <u>additional information such as the annual energy consumption for non- residential buildings and the percentage of energy from renewable sources</u> in the total energy consumption.</p>	<p>as the heat generator, control system and circulation pump(s), with boilers of an effective rated output for space heating purposes of more than 20 kW.</p> <p>That inspection shall include an <u>assessment of the boiler efficiency and the boiler sizing</u> compared with the heating requirements of the building. The assessment of the boiler sizing does not have to be repeated as long as no changes were made to the heating system or as regards the heating requirements of the building in the meantime.</p> <p>Art. 15 (1) - Member States shall lay down the necessary measures to establish a regular inspection of the accessible parts of air-conditioning systems of an effective rated output of more than 12 kW.</p> <p>The inspection shall include an <u>assessment of the air-conditioning efficiency and the sizing</u> compared to the cooling requirements of the building. The assessment of the sizing does not have to be repeated as long as no changes were made to this air-conditioning system or as regards the cooling requirements of the building in the meantime.</p>
Time interval	Art. 8 (4) - [...] and at least every four years from the date of the previous energy audit.	Art. 12 (2) - Member States shall require that, when buildings or building units are constructed,	Art. 14 (1) and Art. 15 (1) - Member States shall lay down the necessary

		<p>sold or rented out, the energy performance certificate or a copy thereof is shown to the prospective new tenant or buyer and handed over to the buyer or new tenant.</p> <p>Art. 11 (8) - The validity of the energy performance certificate shall not exceed 10 years.</p>	<p>measures to establish a regular inspection [...]</p> <p>Art. 14 (3) - Heating systems with boilers of an effective rated output of more than 100 kW shall be inspected at least every two years. For gas boilers, this period may be extended to four years.</p>
Subject	<p>Art. 8 (1) - Member States shall promote the availability to all final customers of high quality energy audits [...]</p> <ul style="list-style-type: none"> - mandatory for large businesses - optional for SMEs and homes 	<p>Art. 12 (1) - Member States shall ensure that an energy performance certificate is issued for:</p> <ul style="list-style-type: none"> (a) buildings or building units which are constructed, sold or rented out to a new tenant; and (b) buildings where a total useful floor area over 500 m² is occupied by a public authority and frequently visited by the public. On 9 July 2015, this threshold of 500 m² shall be lowered to 250 m². 	<p>Art. 14 (1) – [...] systems used for heating buildings, such as the heat generator, control system and circulation pump(s), with boilers of an effective rated output for space heating purposes of more than 20 kW.</p> <p>Art. 15 (1) – [...] air-conditioning systems of an effective rated output of more than 12 kW.</p>
Follow-up measures	<p>Annex VI - Energy audits shall allow detailed and validated calculations for the proposed measures so as to provide clear information on potential savings.</p>	<p>Art. 11 (2) - The energy performance certificate shall include recommendations for the cost-optimal or cost-effective improvement of the energy performance of a building or building unit, unless there is no reasonable potential for such improvement compared to the energy performance requirements in force.</p>	<p>Art. 16 (1) - An inspection report shall be issued after each inspection of a heating or air-conditioning system. The inspection report shall contain the result of the inspection performed in accordance with Article 14 or 15 and include recommendations for the cost-effective improvement of the energy performance of the inspected system.</p>

As buildings and building units have great potential to save energy, it is essential to first assess the actual energy-related performance of the building. Based on the various schemes represented above, a combination of measures can be suggested to improve the energy efficiency of the building (unit). **The EPC needs to include recommendations 'for the cost-optimal or cost-effective improvement of the energy performance of a building or building unit'. The inspection report shall include recommendations 'for the cost-effective improvement of the energy performance of the inspected system'. And the energy audits need to propose measures 'so as to provide clear information on potential savings'. The EPCs, inspection reports and energy audits are therefore merely "a stimulus to action, rather than an energy saving action itself".**⁴²⁹

Both the EED and the EPBD include provisions on the energy performance / energy consumption of a building / building unit. The Commission guidance note on Article 8 of the EED⁴³⁰ already explored the synergies (and encourages Member States to explore the synergies) between the EPBD and the EED in this regard. A few of the most important conclusions from this guidance note are replicated below: **"Article 11 of the EPBD imposes the obligation on Member States to establish a system of certification of the energy performance of buildings. This makes it possible for owners or tenants of a building to know its energy performance and compare it with others. According to Article 12 of the ESD, certification in accordance with Article 7 of Directive 2002/91/EC on the energy performance of buildings must be regarded as equivalent to an energy audit meeting the requirements set out in Article 12(1) and (2) of the ESD. However, *in recognition of the wider scope of energy audits under Article 8 of the EED, the EED no longer keeps this equivalence.*" (emphasis added) "Therefore, energy performance certification in accordance with Article 11 of the EPBD, and inspections in accordance with its Articles 14 and/or 15, cannot automatically be regarded as equivalent to energy audits under Article 8 of the EED (which are e.g. based on measured data on energy consumption and load profiles for electricity, examine - where applicable - industrial operations or installations, including transportation, and allow detailed and validated calculations to provide information on potential savings). However, *it is possible that in specific cases (for instance when auditing office buildings of a large enterprise) certification and/or inspections under the EPBD in a given Member State may fulfil the requirements of Article 8 and Annex VI of the EED.*" (emphasis added)**

Given the fact that, according to the above Commission guidance note, the energy audits under the EED are no longer equivalent to – but may fulfil the requirements of - the energy performance certificates and/or inspections under the EPBD, a comparison between the various schemes is recommended, given their potential overlaps.

⁴²⁹ B. Young, Concerted Action EPBD – Core Theme 2, 6th Energy Efficiency Co-ordination Group Meeting, November 2014, available at: https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/3464147/07D2038B752D3F7EE053C92FA8C01D12.PDF

⁴³⁰ Commission Staff Working Document, Guidance note on Directive 2012/27/EU on energy efficiency, amending Directives 2009/125/EC and 2010/30/EC, and repealing Directives 2004/8/EC and 2006/32/EC, Article 8: Energy audits and energy management systems Accompanying the document Communication from the Commission to the European Parliament and the Council Implementing the Energy Efficiency Directive – Commission Guidance, SWD(2013)447.

Exhibit 3.11 Potential overlap related to the various schemes to assess a building (unit)

Schemes related to the assessment of a building (unit)	EED – Art.8	EPBD – Art.11	EPBD – Art. 14-15
What is it about? (content)	Energy audit of a building or group of buildings, an industrial or commercial operation or installation or a private or public service	Energy performance certification of buildings	Inspection of the accessible parts of systems used for heating buildings and of air-conditioning systems
Who is it for? (target audience)	Mandatory for large enterprises Voluntary for SMEs and homes	Everybody who constructs, sells or rents out a building or building unit	Everybody who owns a boiler of an effective rated output for space heating purposes of more than 20 kW. Everybody who owns an air-conditioning system of an effective rated output of more than 12 kW
Method and process (the how)	Obtain knowledge of the existing energy consumption profile of a building or group of buildings through detailed and validated calculations, based on up-to-date, measured, traceable operational data	Calculate the energy performance of a building. Can include the annual energy consumption of the building and the percentage of energy from renewable sources.	Visual examination to assess the efficiency and the sizing of the systems in order to give recommendations on their energy performance. No testing or measurements required.
Time interval (the when)	Every 4 years from 5.12.2015	Regular. With regard to boilers with an effective rated output of more than 100 Kw, every two years. With regard to gas boilers, every four years.	Every four years.

Generally, the inspections, certifications and audits all relate to the energy consumption of buildings or technical building systems and therefore require thorough understanding of the energy efficiency of the system(s) installed.⁴³¹ In addition, inspections and audits are scheduled at regular intervals. **The CA EPBD has further stressed that “[o]n the one hand, inspections tend to be seen not only as a check of proper maintenance, but also as an assessment of the energy efficiency of the systems. On the other hand, the system performance is assessed as part of the overall building performance, using available information on system characteristics or checking the conditions of the system components and their assembly on-site. There are several interactions that might occur between maintenance, inspections and certification procedures”⁴³².** Said in other words, “[s]ome of the activities of an energy audit carried out for the EED are similar to those for an inspection [or EPC] for the EPBD, although the purpose and level of detail is different”.⁴³³ For this reason, **it has generally been acknowledged that some of the EPBD’s and EED’s requirements have been duplicated and have not been harmonised. The majority of respondents to the 2015 public consultation on the EED have indeed expressed their concern as to the overlaps between the two Directives related to energy efficiency audits and energy performance certificates.**⁴³⁴

Therefore, the CA EPBD has stated that “it might be interesting to evaluate the possibility to combine maintenance, inspection and certification of existing buildings”, especially in those specific cases where certification and/or inspections under the EPBD in a given Member State may go hand in hand with energy audits – for instance when auditing office buildings of a large enterprise. For example, the intervals at which the assessments need to occur do not coincide.⁴³⁵ **The Concerted Action consequently highlighted this point, saying that they are “performed at different occasions and intervals, limiting the opportunity for shared activity. Carrying them out at the same time could offer significant opportunities for reducing costs and achieving more reliable results.”⁴³⁶**

Further energy savings (and further coordination and harmonization) can additionally be achieved when the apparent gap with regard to EPCs is corrected. Currently, EPCs are only issued for buildings or building units which are constructed, sold or rented out to a new tenant, and buildings where a total useful floor area over 500m² is occupied by a public authority and frequently visited by the public.⁴³⁷ However, this means that currently occupied buildings (i.e. **“existing buildings”, or those buildings currently envisaged by the inspections and energy audits**) do not have any EPCs. **With approximately two thirds of the EU’s residential buildings stock being owner occupied⁴³⁸ and given the relatively long time spans between change of owners, Ecofys has rightly concluded that this represents a substantial potential for further energy savings triggered by EPCs (e.g. realisation of renovation possibilities described in the EPCs in owner occupied buildings).**⁴³⁹ Also, by including currently occupied buildings under the EPC legislation, a further synergy with energy audits and inspections can be achieved.

⁴³¹ See also: B. Young, Synergy (or not) between inspection and audit, EECG 7th meeting, Vienna, 17 March 2015, available at: https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/3648169/12079584F6F271E4E053C92FA8C0B7F4.PDF

⁴³² CA EPBD, Certification – Core Theme 1, Nov. 2010, available at: http://www.epbd-ca.org/Medias/Pdf/CT_Reports_14-04-2011/CT1_Certification.pdf

⁴³³ See also: CA EPBD, Training – Overview and Outcomes, Aug. 2015.

⁴³⁴ See the answers to question 1.2 of the 2015 public consultation on the EED.

⁴³⁵ **While the EPBD does not specify what would be regarded as a ‘regular inspection’, it is the view of the European Commission services that inspections carried out at least every 7–8 years would be considered acceptable, whereas anything less frequent than every 10 years is likely to be problematic. See: Public Consultation on the Evaluation of the Energy Performance of Buildings Directive – questionnaire, 2015.**

⁴³⁶ CA EPBD, Training – Overview and Outcomes, Aug. 2015.

⁴³⁷ On 9 July 2015, this threshold has been lowered to 250m².

⁴³⁸ **Buildings Performance Institute Europe (BPIE), Europe’s buildings under the microscope. A country-by-country review of the energy performance of buildings, 2011.**

⁴³⁹ Ecofys, Ex-post evaluation of the application of Directive 2010/31/EU, Final report, Dec. 2015.

Harmonization and coordination at a practical and national level is, nonetheless, not straightforward. In most countries, regular inspections / certifications and energy audits are managed by different public authorities and under different legislation.⁴⁴⁰ The establishment, at national or regional level, of one-stop-shops for delivering independent, tailor-made advice to homeowners, covering both technical and financial aspects of energy efficiency is therefore to be advocated. Further, according to CA EPBD, the regular inspection procedure is generally well-defined, while the audit procedure has not yet been properly established in many MS. This can be partly due to the much wider scope of an energy audit as it covers building structures, **technical building systems and occupants' behaviour. Therefore, energy auditors could possibly** prepare the inspections, but the inspectors cannot undertake energy audits without further training. Indeed, reporting templates for inspections and energy audits are different, reflecting their different purposes and procedures. Indeed, the methods to be used to establish the EPCs, the inspection reports and the energy audit reports differ as to their technical difficulty and complexity.⁴⁴¹ Nevertheless, respondents to the 2015 public consultation on the EPBD have suggested to link inspections and inspectors with the energy audit requirements and the energy service providers laid down in the EED.⁴⁴² The question of possible inconsistencies in national implementation of provisions on EPCs, in the EPBD, and of energy audits, in the EED was addressed in the Commission Communication on implementing the Energy Efficiency Directive⁴⁴³ and its accompanying Staff Working Document SWD(2013) 447 final, where the link between the obligations on energy audits in large enterprises and the obligations to issue Energy Performance Certificate for buildings for rent or sale are explained. The SWD provides guidance for Member States to ensure that national transposition measures exploit synergies between both pieces of legislation. Further, numerous problems have also been reported with regard to the proper implementation of the EPCs at Member State level, which obviously will impede any harmonization with inspections and energy audits. First, the interviews performed in the course of this study⁴⁴⁴ have highlighted that, even though the EPC was designed to allow consumers to compare different buildings, it is now rather used as a sort of legislative requirement and **certificates are based on 'national standards and performances', rather than on the actual usage of energy. Consequently, recommendations are based upon 'standard' interventions rather than** tailored ones. Indeed, EPCs are based on theoretical calculations according to normalised assumptions on occupancy or consumption. They are not considered to give a reliable indication of how a building performs. Other more complex assessments, available on the commercial market, are based on real values and can be used by investors and property managers to assess building technical and financial performance of a building. A better EPC regime – accessible to the wider public – is therefore recommended. This is also proven by portfolio managers, who believe that EPCs do not deliver enough value and therefore often resort to more comprehensive certification schemes. Also as a result, there are two types of certificates in the UK: the notional energy performance certificate, comparing your building to a standard building, and the operational certificate which is only used for public buildings and record the actual use of energy in the building. Further, EPCs are generally not comparable across Europe and the experts producing the EPCs can therefore not go cross-border. Given the above, the following proposal was already suggested after the 2012 public consultation on the EPBD: it is highly recommended to adopt a single EU-wide calculation and certification scheme for energy efficiency in buildings.⁴⁴⁵ This recommendation still stands today.

To conclude, the Commission has undertaken efforts to highlight the synergies between the

⁴⁴⁰ This conclusion was made in CA EPBD, Training – Overview and Outcomes, Aug. 2015.

⁴⁴¹ See also on the differences between the inspections and the audits: B. Young, Concerted Action EPBD – Core Theme 2, 6th Energy Efficiency Co-ordination Group Meeting, November 2014, available at: https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/3464147/07D2038B752D3F7EE053C92FA8C01D12.PDF.

⁴⁴² See the answers to question 75 and question 76 in: Ecofys, Public Consultation on the Evaluation of the EPBD, Final Report, Nov. 2015.

⁴⁴³ COM (2013)762 final.

⁴⁴⁴ Based upon the interviews with stakeholders in 10 Member States.

⁴⁴⁵ **European Commission, Public Consultation "Financial Support for Energy Efficiency in Buildings",** Consultation Report, 2012.

EPBD and the EED related to energy efficiency audits but harmonization and coordination at the national level of EPCs should be further enforced. However, as the obligations regarding the certification of buildings and building units typically fall on the owners, the above considerations have limited relevance for construction firms, whereas the lack of coordination among the **various schemes may 'artificially' increase the revenues of the professionals involved in certification activities.**

Accreditation and training of experts

Inspections, certifications and energy audits are all to be carried out in an independent manner by qualified and/or accredited experts. Such independent experts are also required to install small-scale renewable energy systems. The Commission guidance note on Article 8 of the EED⁴⁴⁶ explicitly states that synergies should be explored and consistency should be ensured between **"the qualification/certification criteria and schemes of the EED and the EPBD [...]"**. Whether and – potentially – how these synergies could be further enhanced is explored in the following. Also the experts referred to in the RESD are taken up in the comparison.

⁴⁴⁶ Commission Staff Working Document, Guidance note on Directive 2012/27/EU on energy efficiency, amending Directives 2009/125/EC and 2010/30/EC, and repealing Directives 2004/8/EC and 2006/32/EC, Article 8: Energy audits and energy management systems Accompanying the document Communication from the Commission to the European Parliament and the Council Implementing the Energy Efficiency Directive – Commission Guidance, SWD(2013)447 final.

Exhibit 3.12 Provisions on accreditation and training of experts in the EED, EPBD and RESD

	EED – Art.8 + Art. 16 Energy auditors	EPBD – Art. 17 Independent experts	RESD – Art. 14(3) Installers
Background	<p>Recital 25 - Where energy audits are carried out by in-house experts, the necessary independence would require these experts not to be directly engaged in the activity audited.</p>	<p>Recital 27 - A common approach to the energy performance certification of buildings and to the inspection of heating and air-conditioning systems, carried out by qualified and/or accredited experts, whose independence is to be guaranteed on the basis of objective criteria, will contribute to a level playing field [...].</p> <p>Recital 29 - Installers and builders are critical for the successful implementation of this Directive. Therefore, an adequate number of installers and builders should, through training and other measures, have the appropriate level of competence for the installation and integration of the energy efficient and renewable energy technology required.</p>	<p>Recital 49 - Information and training gaps, especially in the heating and cooling sector, should be removed in order to encourage the deployment of energy from renewable sources.</p>
Expertise	<p>Art. 8 (1) - Member States shall promote the availability to all final customers of high quality energy audits which are cost-effective and:</p> <p>(a) carried out in an independent manner by qualified and/or accredited</p>	<p>Art. 17 - Member States shall ensure that the energy performance certification of buildings and the inspection of heating systems and air-conditioning systems are carried out in an independent manner by qualified and/or accredited experts, whether operating in a</p>	<p>Art. 14 (3) - Member States shall ensure that certification schemes or equivalent qualification schemes become or are available by 31 December 2012 for installers of small-scale biomass boilers and stoves, solar photovoltaic and solar thermal</p>

	<p>experts according to qualification criteria; or (b) implemented and supervised by independent authorities under national legislation.</p> <p>The energy audits referred to in the first subparagraph may be carried out by in-house experts or energy auditors provided that the Member State concerned has put in place a scheme to assure and check their quality, including, if appropriate, an annual random selection of at least a statistically significant percentage of all the energy audits they carry out.</p>	<p>self-employed capacity or employed by public bodies or private enterprises.</p>	<p>systems, shallow geothermal systems and heat pumps.⁴⁴⁷</p>
Accreditation schemes	<p>Art. 16 (1) - <u>Where a Member State considers that the national level of technical competence, objectivity and reliability is insufficient</u>, it shall ensure that, by 31 December 2014, certification and/or accreditation schemes and/or equivalent qualification schemes, including, where necessary, suitable training programmes,</p>	<p>Art. 17 - Experts shall be accredited taking into account their competence.</p>	<p>Art. 14 (3) - Member States shall ensure that certification schemes or equivalent qualification schemes become or are available by 31 December 2012 [...]. Those schemes may take into account existing schemes and structures as appropriate, and shall be based on the criteria laid down in Annex IV.</p>

⁴⁴⁷ In 2012, the Concerted Action RES reported that not all Member States were ready with the set-up of the certification schemes for the 5 technologies mentioned. Only 35% of Member States were ready with the certification for boilers and stoves installers, 50% for PV installers, 40% for solar thermal, 20% for shallow geothermal and 40% for heat pumps. See: BUILD UP Skills – EU overview report. Staff working document, Oct.2013 (revised in June 2014), available at: <https://ec.europa.eu/energy/intelligent/files/library/doc/overview-report.pdf>

	become or are available for providers of energy services, energy audits, energy managers and installers of energy-related building elements as defined in Article 2(9) of Directive 2010/31/EU.		
Public availability	Art. 16(3) - Member States shall make publicly available the certification and/or accreditation schemes or equivalent qualification schemes referred to in paragraph 1 [...] . Member States shall take appropriate measures to make consumers aware of the availability of qualification and/or certification schemes in accordance with Article 18(1).	Art. 17 - Member States shall make available to the public information on training and accreditations. Member States shall ensure that either regularly updated lists of qualified and/or accredited experts or regularly updated lists of accredited companies which offer the services of such experts are made available to the public.	Art. 14 (4) - Member States shall make available to the public information on certification schemes or equivalent qualification schemes as referred to in paragraph 3. Member States may also make available the list of installers who are qualified or certified in accordance with the provisions referred to in paragraph 3.
Training programmes	Art. 8 (3) - Member States shall encourage training programmes for the qualification of energy auditors in order to facilitate sufficient availability of experts. <u>Art. 16 (1) - Where a Member State considers that the national level of technical competence, objectivity and reliability is insufficient</u> , it shall ensure that, by 31 December 2014, certification and/or accreditation schemes and/or equivalent qualification schemes, including, where necessary, suitable training programmes, become	Art. 20 (3) - Member States shall ensure that guidance and training are made available for those responsible for implementing this Directive. Such guidance and training shall address the importance of improving energy performance, and shall enable consideration of the optimal combination of improvements in energy efficiency, use of energy from renewable sources and use of district heating and cooling when planning, designing, building and renovating industrial or residential areas.	Annex IV – 2. Biomass, heat pump, shallow geothermal and solar photovoltaic and solar thermal installers shall be certified by an accredited training programme or training provider. 3. The accreditation of the training programme or provider shall be effected by Member States or administrative bodies they appoint. The accrediting body shall ensure that the training programme offered by the training provider has continuity and regional or national coverage. The training provider shall have adequate technical facilities to provide practical training, including some laboratory equipment or corresponding facilities to provide practical training. The training provider shall also

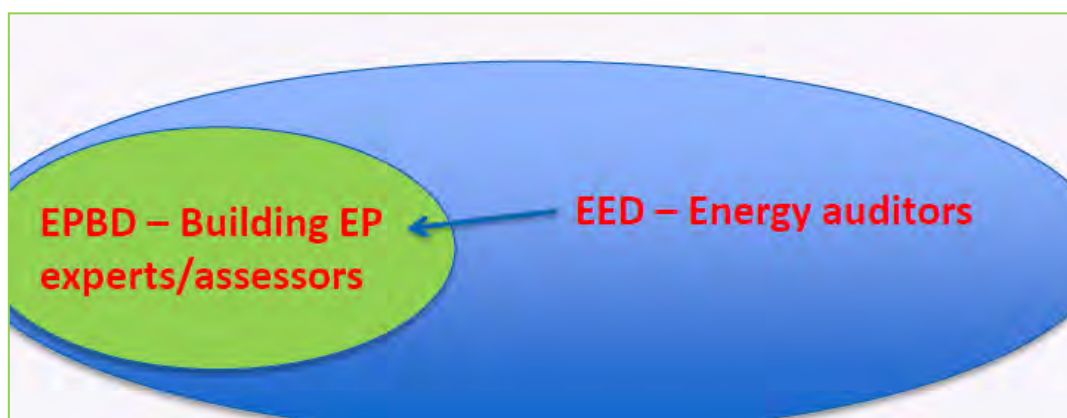
	<p>or are available for providers of energy services, energy audits, energy managers and installers of energy-related building elements as defined in Article 2(9) of Directive 2010/31/EU.</p>		<p>offer in addition to the basic training, shorter refresher courses on topical issues, including on new technologies, to enable life-long learning in installations. The training provider may be the manufacturer of the equipment or system, institutes or associations.</p> <p>4. The training leading to installer certification or qualification shall include both theoretical and practical parts. At the end of the training, the installer must have the skills required to install the relevant equipment and systems to meet the performance and reliability needs of the customer, incorporate quality craftsmanship, and comply with all applicable codes and standards, including energy and eco-labelling.</p> <p>5. The training course shall end with an examination leading to a certificate or qualification. The examination shall include a practical assessment of successfully installing biomass boilers or stoves, heat pumps, shallow geothermal installations, solar photovoltaic or solar thermal installations.</p> <p>6. (a) Accredited training programmes should be offered to installers with work experience, who have undergone, or are undergoing, the following types of training: [...]</p> <p>(e) The installer certification should be time restricted, so that a refresher seminar or event would be necessary for continued certification.</p>
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The EPBD, EED and RESD all create the legal obligation for Member States to ensure that the experts, inspectors, energy auditors and installers have the necessary accreditations and qualifications – although the EPBD does not explicitly oblige the Member States to ensure the availability of these accreditation and qualification schemes. The importance of training the experts is also underlined, especially in the EED and even more in the RESD.⁴⁴⁸ CA EPBD has **recognised that there are “significant potential interactions or intersections between the obligations and needs to be addressed by provisions in both the EPBD and EED regarding training, accreditation, certification and registration of experts”**⁴⁴⁹. In its latest publication on synergies between EPBD, EED and RESD, it states that “[t]raining and accreditation schemes are an area of potential synergy”.⁴⁵⁰ And there is not only synergy, but also overlap “where certification in the EPBD, and to some extent the RESD, covers a subset of the energy professions that can be certified under the EED”⁴⁵¹. This hangs closely together with the following two considerations:

- The EPBD increasingly focuses on the integration of renewable energy sources when **calculating the ‘minimum requirements of energy performance of buildings’**.⁴⁵²
- The scope of the EED is much wider than the scope of the EPBD and energy auditing, hence, requires a wider range of professional experience and broader knowledge than inspections alone. In fact, energy auditing includes reporting on heating and air-conditioning systems in buildings and needs to draw a reliable picture of overall energy performance (ref. EPC). The EPBD is thus a subset of and may provide useful input to the energy audits in the EED. For example, it is possible for qualified energy auditors in the framework of the EED to be recognised as qualified experts to deliver EPCs in buildings. Qualified experts to deliver EPCs in buildings could be targeted for training to become qualified energy auditors.⁴⁵³

The Exhibit below gives a simple illustration.

Exhibit 3.13 EPBD experts versus EED experts



Source: J. Magyar, CA EED – Core Theme 6

All qualification/accreditation schemes and training programmes can thus have the same basis

⁴⁴⁸ See, e.g.: BUILD UP Skills – EU overview report. Staff working document, Oct.2013 (revised in June 2014), available at: <https://ec.europa.eu/energy/intelligent/files/library/doc/overview-report.pdf>

⁴⁴⁹ CA EPBD, Training – Overview and Outcomes, Aug. 2015.

⁴⁵⁰ CA EPBD, 2016 Implementing the Energy Performance of Buildings Directive, Sept. 2015, p. 104, available at: <http://www.epbd-ca.eu/outcomes/2011-2015/CA3-BOOK-2016-A-web.pdf>

⁴⁵¹ CA EED, Consumer information programmes, training and certification of professionals, July 2015.

⁴⁵² CA EPBD, Training – Overview and Outcomes, Aug. 2015.

⁴⁵³ Commission Staff Working Document, Guidance note on Directive 2012/27/EU on energy efficiency, amending Directives 2009/125/EC and 2010/30/EC, and repealing Directives 2004/8/EC and 2006/32/EC, Article 8: Energy audits and energy management systems Accompanying the document Communication from the Commission to the European Parliament and the Council Implementing the Energy Efficiency Directive – Commission Guidance, SWD(2013)447final.

but differ in the details. CA EPBD is therefore proposing Member States to **“develop and offer modular education schemes to train experts that can perform EPBD and EED assessments, leading to substantial cost reduction for building owners”**.⁴⁵⁴ CA EPBD further states that **“[m]odular training of experts has some benefits, e.g., experts can be trained specifically in the particular sector they are interested in, and can expand their training as and when they wish, without having to undergo training in the areas where they are already qualified.”** It is, in theory, possible that one and the same person could perform all building assessments if he passes the necessary exams and meets the obligatory requirements. There is hence the possibility to create true synergies and avoid duplicated efforts. The different accreditation/qualification schemes and modalities foreseen in all three Directives correspond to different needs, leading to the fact that different persons are providing the services of energy certification, regular inspection, auditing and the installation of small-scale renewable energy systems.

One important recommendation in order to create synergies is to work upon one harmonised set of definitions with regard to the quality schemes aiming at giving assurance regarding the skills of the energy expert. These schemes now have different names (including certification, qualification, label and accreditation) – at EU level and at national level - and the meaning of these words can be quite different from one country to another.⁴⁵⁵ This may lead to insurmountable obstacles in discussions between people from different countries and having different native languages.

However, also in this case, harmonization and coordination at Member State level is not straightforward. Qualification and training remains a competence of Member States and, in most Member States, different ministries are responsible for – especially – the EPBD and the EED/RES, also leading to different approaches with regard to the accreditation and/or qualification schemes and to the training programmes.^{456 457} Indeed, experts carrying out inspections, audits and EPCs need to fulfil different requirements with regard to their level of education and/or length of experience. In addition, CA EPBD has proven that there is currently **still a lack of “accredited institutions offering the required training at sufficient quality” and “EPC assessors are often certified by a public compulsory procedure, while energy auditors are normally part of voluntary schemes”, creating a difficult dialogue due to different interests.**⁴⁵⁸ Further, the fact that the EED allows for in-house experts to perform energy audits, while external experts are needed according to the EPBD is seen as an inconsistency or gap.⁴⁵⁹ Also, the remark has been made that, while qualifications are achieved once and for all, certification needs to be reviewed every X number of years, leading to a clear inconsistency.

Further, the existing certification and qualification schemes for installers of small-scale renewable energy systems in buildings are so diverse among themselves that any harmonization with the schemes and training programmes foreseen under the EED and EPBD is impeded. As **ADEME has demonstrated, “a scheme might be implemented by public authorities or private organisms, and both have proved to work.** Some certifying bodies [for RES installers] comply with an international norm (such as ISO 17024) or have been accredited by the national body. Other bodies have been created by the stakeholders themselves, involved in the RES sector, and have been implemented following a **collaborative initiative between installers’ unions and industry sectors.** Most of the schemes implemented have started with one technology (most often solar thermal installations or heat pumps) and some have then been extended to integrate

⁴⁵⁴ CA EPBD, Training – Overview and Outcomes, Aug. 2015.

⁴⁵⁵ This recommendation has also been given by ADEME with regard to the RES industry. See: ADEME, QualiCert Publishable report - Quality certification & accreditation for installers of small-scale renewable energy systems, supported by Intelligent Energy Europe, 2012.

⁴⁵⁶ See, e.g.: ENFORCE, Comparison of building certification and energy auditor training in Europe, Sept. 2010, available at: https://ec.europa.eu/energy/intelligent/projects/sites/iee-projects/files/projects/documents/enforce_european_comparison_energy_auditors_training_en.pdf

⁴⁵⁷ It has therefore been proposed to install a central contact point at national level. See: CA EED, Availability of qualification, accreditation and certification schemes, Executive Summary 6.4 Consumer information programmes, training and certification of professionals, Nov. 2014

⁴⁵⁸ Taken from: CA EPBD, Training – Overview and Outcomes, Aug. 2015.

⁴⁵⁹ Ecofys, Public Consultation on the Evaluation of the EPBD, Final Report, Nov. 2015.

other technologies. Beyond these intrinsic characteristics, it was found that the success of a scheme very much depends on the way in which it is implemented. In particular, a purely voluntary scheme and one linked to a subsidy programme will draw very different results. Training for RES installers may be provided by different training infrastructures depending on **the country. The training structures may [or may not] be accredited.**"⁴⁶⁰ After the 2012 public consultation on the renewable energy strategy, some conclusions were already drawn with regard to the certification and qualification schemes for installers of small-scale renewable energy systems.⁴⁶¹ In particular, the length and complexity of administrative procedures relating to authorisation, certification and licensing was identified as a key obstacle to further growth of renewables by most respondents.

Finally, also the implementation of Article 14(3) of the RESD in various Member States differs considerably.⁴⁶² In France, for example, a very strict interpretation is maintained as both certification and formal training are required. Other countries, on the other hand, have introduced the liberty to choose between the certification scheme or the equivalent qualification scheme. Also in France, certification has – in practice – become compulsory (it is extremely difficult to install e.g. photovoltaic panels if you are not certified). This political pressure against **'simple' qualifications has been a more general concern and has been seen in many forms. In Belgium, for example, even though certification is not obligatory, it is required in public procurement cases or for accessing certain subsidies. Not surprisingly, most installers of RES systems want to see this practice overturned, as equivalent qualification schemes take into account previous professional experience, without having the obligation to undergo numerous compulsory and recurrent training programmes; installers are, after all, constantly trained on the job. Also, installers of RES systems are very often electricians, plumbers, roofers, or other craft professionals who are already contributing to RES in buildings – therefore, equivalent qualification should suffice. SMEs are also highly in favour of the equivalent qualification schemes, as certification would limit market access for SMEs (due to their high costs) and, currently, only 1 to 2 percent of companies in Europe are certified. Therefore, the mid-term evaluation on the RESD has concluded, amongst others, that the "guidelines for certification or qualification training should be more specific as to the depth and length of training. However, this should take into account past and ongoing efforts in Member States, as some already have well organised certification and training in place."**⁴⁶³

To conclude, there is a high potential for overlap between the EED, EPBD and RESD with regard to the accreditation and training systems for experts. Further coordination and integration, at EU and at national level, is recommended. The lack of a better coordination may result in entry costs, and thus barriers, in the various markets for professionals.

3.4 Conclusions

The comparative analysis of the EED, EPBD and RESD confirms that there is great synergy with regard to their objectives. The conclusion that external coherence does not raise a major issue fits with the conclusions of the Public Consultation on the Evaluation of the EPBD and with the evaluation of the EPBD.⁴⁶⁴ **The related report has stated the following: "The EPBD and the EED have linked effects on the realisation of the objectives of the EPBD".**⁴⁶⁵ In addition, "[a]s the EPBD aims to reduce the energy consumption of buildings as well as to increase the use of energy from renewable sources, the EPBD is also connected to the Renewables Directives (2009/28/EC) (RED) and vice versa." **According to the stakeholders interviewed by Ecofys in the context of the EPBD ex-post evaluation, the streamlined approach of the EPBD and the RESD**

⁴⁶⁰ ADEME, QualiCert Manual - A common approach for certification or equivalent qualification of installers of small-scale renewable energy systems in buildings, March 2011.

⁴⁶¹ European Commission, Executive Summary, Consultation on the renewable energy strategy, 2012.

⁴⁶² Based upon the interviews with stakeholders in 10 Member States.

⁴⁶³ CE DELFT, Mid-term evaluation of the Renewable Energy Directive. A study in the context of the REFIT programme, prepared for DG Energy, April 2015.

⁴⁶⁴ EPBD Evaluation Study.

⁴⁶⁵ Ibid, p. 165-166.

has led to an increased uptake of renewables in buildings.

There are some important overlaps between the EED, EPBD and RESD which may impact on the construction sector. Further to the differences in definitions and scope, the most important issue relates to the certification of buildings and building units (EPC, inspections and energy audits), and their related certification/qualification schemes and training programmes. Due to the existence of some overlaps with regard to the more substantive requirements of the EED, EPBD and RESD, a number of stakeholders suggest fully integrating the energy performance of buildings in the EED⁴⁶⁶ or to have only one directive entirely focusing on buildings (i.e. separating the EED into two directives – one for industry and another one for the building sector)⁴⁶⁷, due to the varying nature of the different sectors covered under the EED. The report on the 2014 public consultation on the review of progress on the 2020 energy efficiency objective, in turn, suggests that the building-related provisions of the EED (i.e. Articles 4 and 5) should be incorporated in the EPBD to have a **“single and powerful policy instrument”**.⁴⁶⁸ Similarly to this suggestion, the report on the 2015 EPBD public consultation states that a single and robust renovation strategy **should be required, “rather than provisions under EPBD and under EED separately and linking to each other”**.⁴⁶⁹ On the whole, numerous stakeholders are of the opinion that it is confusing that the energy performance of buildings is targeted in three different directives.

⁴⁶⁶ See the reactions to question 1.2 of the 2015 EED public consultation. See also: Report of the public consultation on the review of progress on the 2020 energy efficiency objective, 2014, available at: https://ec.europa.eu/energy/sites/ener/files/documents/2014_summary_report_energy2020.pdf

⁴⁶⁷ Anonymous contribution to question 1.2 of the 2015 EED public consultation.

⁴⁶⁸ European Commission (2014), Report of the public consultation on the review of progress on the 2020 energy efficiency objective, available at: https://ec.europa.eu/energy/sites/ener/files/documents/2014_summary_report_energy2020.pdf (last accessed on May 2016).

⁴⁶⁹ EPBD Evaluation Study, at p. 160.

4. CONSTRUCTION-RELATED EU LEGAL INSTRUMENTS ENHANCING MOBILITY OF PROFESSIONALS IN THE EU AND FREE MOVEMENT OF SERVICES: Services Directive, Professional Qualifications Directive, and Late Payments Directive

The previous section of this coherence assessment dealt with product and energy efficiency requirements for materials, construction products or works in the construction sector. The instruments thus focused on the free movement of goods in the EU market and on the achievement of the EU's overarching climate and energy objectives from the perspective of the construction sector. The current section focuses on the professionals in the construction sector and their free movement in the EU. It thus concerns the possibility for these persons to either establish themselves in a different Member State or to provide services on a temporary basis in another Member State. To this end, this chapter covers in particular the 2006 Services Directive and the 2005 Directive on the mutual recognition of professional qualifications, as amended in 2013.

Under this chapter, we will finally consider the coherence of this legal framework with Directive 2011/7/EU on late payments.

4.1 Objectives of the Services Directive and the Professional Qualifications Directive and their relevance to the construction sector

The Services Directive (SD) was adopted in 2006 with the objective of eliminating the remaining obstacles to the freedom of establishment for providers in the Member States and to the free provision of services between Member States.⁴⁷⁰ It requires Member States to simplify the procedures that service providers need to comply with when setting up a business or providing services in another Member State. The SD does not deal with qualification requirements but regulates other aspects of free movement of professionals (e.g. tariffs, legal form requirements, ownership requirements, etc.).⁴⁷¹ The mutual recognition of professional qualifications is regulated by Directive 2005/36/EC (PQD). Pursuant to the PQD, a Member State which makes access to or the pursuit of a regulated profession in its territory contingent upon possession of specific professional qualifications shall recognise professional qualifications obtained in other Member States and which allow the holder of the said qualifications to pursue the same profession there, for access to and pursuit of that profession.⁴⁷² It also regulates partial access to a regulated profession and recognition of professional traineeships pursued in another Member State.⁴⁷³ The system was modernised in 2013 through amendments to the 2005 PQD, an issue that was identified as a priority in the 2011 Single Market Act.⁴⁷⁴ Improving access to professions, in particular through a more flexible and transparent regulatory environment in Member States, would facilitate the mobility of qualified professionals within the internal market and the cross-border provision of professional services.⁴⁷⁵

The SD and PQD thus aim at making the free provision of services within the Community as simple as within an individual Member State. They share the same general objective of removing obstacles to the free movement of services and enhancing professional mobility in the EU through different complementary measures, in line with the requirements of the TFEU.⁴⁷⁶

⁴⁷⁰ Recitals Directive 2006/123/EC on services in the internal market.

⁴⁷¹ European Commission, Evaluation of the professional qualifications Directive (Directive 2005/36/EC), 5 July 2011

⁴⁷² Article 1 Directive 2005/36/EC on the mutual recognition of professional qualifications

⁴⁷³ Article 1 Directive 2005/36/EC on the mutual recognition of professional qualifications

⁴⁷⁴ Communication from the Commission, Single Market Act, Twelve levers to boost growth and strengthen confidence, "Working together to create new growth", COM(2011)206, SEC(2011)467

⁴⁷⁵ Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on Evaluating national regulations on access to professions, COM(2013)676, 2013.

⁴⁷⁶ Article 3(1)(c) of the Treaty establishes the abolition of obstacles to the free movement of persons and services as one of the objectives of the Community. For nationals of the Member States, this includes, in particular, the right to pursue a profession, in a self-employed or employed capacity, in a Member State

Construction companies have a high potential for mobility due to the nature of the services they provide.⁴⁷⁷ Moreover, there are many regulated professions in the construction sector (e.g. architects, engineers, electricians, etc.).⁴⁷⁸ Hence, the correct implementation of both Directives is important for ensuring the mobility of professionals in the construction sector in the EU internal market.

The objectives of the SD and PQD are overall considered complementary and coherent. Implementation reports on the SD and PQD⁴⁷⁹ and stakeholders do not point to inconsistencies among the objectives of both instruments. On the contrary, each of the instruments is considered to clearly aim at achieving specific complementary objectives within the overall objective of achieving a fully functional internal market for services. In spite of progress made, the 2015 Communication on Upgrading the Single Market however still identifies several obstacles affecting mobility of professionals across Member States.⁴⁸⁰ These issues of implementation and how they may affect the coherence of the instruments will be discussed below.

4.2 Scope and definitions of the Services Directive and the Professional Qualifications Directive

The PQD applies to all Member State nationals wishing to practise a regulated profession, on either a self-employed or employed basis, in a Member State other than the one in which they obtained their professional qualifications.⁴⁸¹ Both the PQD and the SD make a distinction between **'freedom to provide services'** and **'freedom of establishment'**. While the PQD covers the recognition of professional qualifications, use of titles and knowledge of languages as well as any other requirements under national legislation restricting access to a profession, the SD deals with other requirements, such as tariffs, legal form requirements or ownership requirements, among others. The SD covers a large variety of sectors ranging from traditional activities to knowledge-based services, including services in the construction sector.⁴⁸² Therefore both Directives are considered to complement each other whilst covering different aspects of the free movement of professionals.⁴⁸³

As mentioned in recital 31 of the SD: "This Directive is consistent with and does not affect Directive 2005/36/EC of the European Parliament and of the Council of 7 September 2005 on the recognition of professional qualifications. It deals with questions other than those relating to

other than the one in which they have obtained their professional qualifications. Article 47(1) of the Treaty lays down that directives shall be issued for the mutual recognition of diplomas, certificates and other evidence of formal qualifications.

⁴⁷⁷ The construction itself generally takes place at its final destination, and many other specialised services that contribute to it are also dispatched on site more or less regularly.

⁴⁷⁸ Commission Staff Working Document, Impact Assessment accompanying the Proposal for a Directive of the European Parliament and of the Council amending Directive 2005/36/EC on the recognition of professional qualifications and Regulation on administrative cooperation through the Internal Market Information System, COM(2011)883, 2011.

⁴⁷⁹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the implementation of the Services Directive. A partnership for new growth in services 2012-2015, COM(2012) 261, 2012, European Commission, Evaluation of the professional qualifications Directive (Directive 2005/36/EC), 5 July 2011, Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on Evaluating national regulations on access to professions, COM(2013)676, 2013 and Commission Staff Working Document, Detailed information on the implementation of Directive 2006/123/EC on services in the internal Market, SWD(2012) 148 final.

⁴⁸⁰ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Upgrading the Single Market: more opportunities for people and business, COM(2015)550, 2015.

⁴⁸¹ Article 2, Directive 2005/36/EC on the mutual recognition of professional qualifications

⁴⁸² Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the implementation of the Services Directive. A partnership for new growth in services 2012-2015, COM(2012) 261, 2012.

⁴⁸³ Commission Staff Working Document on the transposition and implementation of the Professional Qualifications Directive, SEC (2010) 1292.

professional qualifications, for example professional liability insurance, commercial communications, multidisciplinary activities and administrative simplification. With regard to temporary cross-border service provisions, a derogation from the provision on the freedom to provide services in this Directive ensures that Title II on the free provision of services of Directive 2005/36/EC is not affected. Therefore, none of the measures applicable under that Directive in the Member State where the service is provided is affected by the provision on the freedom to **provide services.**" For matters not relating to professional qualifications, the "Services Directive" applies to those regulated professions that fall within its scope.⁴⁸⁴

Consistency in the definitions is ensured through a specific cross-reference to the PQD in the definition of 'regulated professions' under the SD.⁴⁸⁵ Regulated profession is defined in the SD as 'a professional activity or a group of professional activities as referred to in Article 3(1)(a) of the PQD'.

4.3 Substantive requirements of the Services Directive and the Professional Qualifications Directive

The PQD regulates both the freedom of establishment and the freedom of providing services on a temporary basis for EU citizens performing a professional activity through different regimes. For the freedom of establishment, three recognition regimes are foreseen:

1. The automatic recognition system based on harmonised minimum training requirements, currently applicable i.a. to architects;
2. The automatic recognition system based on professional experience, currently applicable to certain craft activities;
3. The general system, applicable to all professions not covered by specific rules and to professionals that do not meet the conditions of the other recognition systems, i.a. engineers, architects whose title is not included in Annex V to the PQD, and craftsmen without sufficient working experience to access the automatic recognition system.

As for temporary service provision ('temporary mobility'), regulating the freedom to provide services, an EU citizen may occasionally and temporarily provide services in a Member State other than the one where he is established. The host Member State may only require a yearly declaration including details of insurance cover, nationality and professional qualifications. It may also conduct a prior check of these qualifications when the profession has public health and safety implications and is not subject to automatic recognition.

The amended PQD also provides for the introduction by 2016 of a European Professional Card (EPC), taking the form of an electronic certificate. The EPC will be delivered in the home MS and transmitted via the Internal Market System (IMI) to the host MS, to present the documents for the recognition process, both for permanent and temporal mobility.⁴⁸⁶ However, it should be noted that the EPC has so far been only introduced for five professions, which do not concern the construction sector.

The SD, on the other hand, establishes a broad framework for ensuring the cross-border provision of services in the EU. Similarly to the PQD, the SD distinguishes between the freedom of establishment and the freedom of providing services on a temporary basis. The SD imposes obligations on Member States to remove obstacles to the freedom to provide services by service providers originating from another Member State. To this end, the SD requires Member States to simplify their procedures for providers to set up or carry out service activities in their territory. Member States are also required to establish Points of Single Contact where service providers can obtain information and carry out all formalities required to provide services in the country. The SD also prohibits Member States to implement authorisation schemes that would be discriminatory, disproportional or not justified by overriding reasons of public interest and to

⁴⁸⁴ EC website, http://ec.europa.eu/growth/single-market/services/free-movement-professionals/qualifications-recognition/index_en.htm

⁴⁸⁵ Article 4, 2006/123/EC on services in the internal market

⁴⁸⁶ Dr Katerina-Marina Kyrieri, "The Modernised Directive on Professional Qualifications and its Impact on National Legislations, 2014.

have residence or nationality conditions for providing services. Overall, the SD establishes the obligation for Member States to guarantee the free movement of services. While access requirements may exist for regulated professions in the Member State, these should be in line with the requirements of the PQD. Finally, the SD also establishes requirements for administrative cooperation between Member States. These include the obligation, for instance, to provide mutual assistance to each other and to establish electronic exchange of information systems.

The SD and PQD refer in several instances to the mutual complementarity of the requirements established under each instrument with a view to achieve the internal market for services, as illustrated in the section on scope above.

The 2011 evaluation of the 2005 PQD Directive identified several areas where the coherence and interaction between the procedures under both Directives could be enhanced. For instance, the Commission proposal for the 2013 amending PQD noted that the obligations for Member States to exchange information had to be reinforced similar to the alert system existing under the SD.⁴⁸⁷ The proposal also noted that one of the major difficulties a citizen who is interested to work in another Member State is facing, is complexity and uncertainty of administrative procedures to comply with under the PQD. The report noted that the single points of contact established under the SD should be used for the purposes of the PQD. Such changes have been introduced in the amended PQD Directive, which, for instance, requires Member States to ensure that certain information is available online and regularly updated through the points of single contact referred to in Article 6 of Directive 2006/123/EC and that all requirements, procedures and formalities relating to matters covered by the PQD may be easily completed, remotely and by electronic means, through the relevant point of single contact or the relevant competent authorities.

Following the positive experience with the mutual evaluation under the SD, the EC proposal also recommended that a similar evaluation system should be included in the PQD, with a view to contribute to more transparency in the professional services market. A similar exercise of mutual evaluation has started under the PQD. Each Member State will be required to actively perform a review and to modernise their regulations on qualifications governing access to professions or professional titles.⁴⁸⁸

Several initiatives have thus been undertaken to improve the coherence of the parallel complementary procedures under the SD and the PQD, with a view to enhance the mobility of professionals in the EU. As noted by the Architect's Council of Europe, the interplay between the SD and the PQD appears to work reasonably well as far as the architectural profession is concerned.⁴⁸⁹ While the substantive requirements of the SD and PQD have thus been largely aligned, the implementation of the free movement of services in the construction sector in practice still raises problems. Stakeholders note, for instance, that mutual recognition in the construction sector is still not working in certain cases, even when professional qualifications are involved and the PQD also applies (such as with professional capacity, certification, and organisational health and safety requirements). Another particular obstacle, for example, highlighted by stakeholders is that some Member States only accept foreign documents if they are authenticated by local professionals (e.g. translators, notaries). Another stakeholder notes that the SD did not have a significant effect on the ground for the construction sector and related services due to a lack of sector-specific implementation (see section 4 above). A recent study by Ecorys on simplification and mutual recognition in the construction sector under the Services Directive identified several obstacles to the free provision of services in the construction sector. The report concluded that several horizontal authorisation schemes identified in several Member

⁴⁸⁷ Proposal for a Directive of the European Parliament and of the Council amending Directive 2005/36/EC on the recognition of professional qualifications and Regulation on administrative cooperation through the Internal Market Information System, COM(2011) 883, 2011.

⁴⁸⁸ Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on Evaluating national regulations on access to professions, COM(2013)676, 2013.

⁴⁸⁹ Architect's Council of Europe, Response to consultation on the internal market for services. 2 May 2015.

States did not appear to be justified and proportionate under the Services Directive.⁴⁹⁰ Moreover, the study identified a lack of mutual recognition rules in some Member States for requirements regarding technical/professional capacity, registration and certification, and organisational health and safety requirements.⁴⁹¹ The challenges related to implementation of the internal market rules for services are addressed in the next section.

The mutual evaluation exercises introduced under the SD and the amended PQD should help identify the existing obstacles to the free movement of services in the EU.

4.4 Challenges related to implementation of internal market rules

In spite of progress made towards the achievement of the internal market for services, the 2015 Communication on Upgrading the Single Market still identifies several obstacles in relation to the SD and the PQD, which affect mobility of professionals in other Member States.⁴⁹² The 2012 performance checks of the internal market for services, which focused particularly on the construction sector, noted that while the objectives of these Directives are shared, a number of significant challenges still existed for businesses, in particular where they wish to provide services in other Member States.⁴⁹³ The report noted that businesses are often confronted with requirements imposed on them in addition to those to which they are subject in the Member State where they are established. Problems are also considered to be a consequence of the incomplete or incorrect implementation of the SD, the PQD or the E-Commerce Directive.

The 2012 State of play of the internal market in the construction sector⁴⁹⁴ noted that the level and intensity of regulation of the activities of the construction sector and the regulatory options taken vary considerably between the Member States: **"There are Member States in which services activities in the construction sector are generally not regulated as such and where these activities can be provided by anybody, qualified professional or not. In these countries (Finland, Sweden, the Netherlands), individual construction projects and activities are subject to requirements related to environmental and spatial planning rules but are not reserved to specific service providers or professionals. In other Member States, construction services activities are in generally reserved to specific regulated professions. Between these two systems there is a multitude of regulatory situations in the Member States."**⁴⁹⁵ Business Europe noted in 2014 that the high number of regulated professions in some Member States hampers service provision or establishment across borders, and stressed the importance of the evaluation exercise taking place under the SD and PQD to remove such barriers to the free movement of services.⁴⁹⁶

The Commission Staff Working Document on the results of the performance checks highlights a number of instances of deficient implementation of the SD and the PQD which jointly affect the

⁴⁹⁰ Ecorys Nederland, in association with Delft, University of Technology, "Simplification and mutual recognition in the construction sector under the Services Directive, November 2015, published on the European Commission website, DG MARKT.

⁴⁹¹ Ecorys Nederland, in association with Delft, University of Technology, "Simplification and mutual recognition in the construction sector under the Services Directive, November 2015, published on the European Commission website, DG MARKT.

⁴⁹² Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Upgrading the Single Market: more opportunities for people and business, COM(2015)550, 2015.

⁴⁹³ Commission Staff Working Document on the result of the performance checks of the internal market for services (construction, business services and tourism) accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the implementation of the Services Directive. A partnership for new growth in services 2012-2016, COM(2012)261 and SWD(2012)147, 2012.

⁴⁹⁴ 2012 State of play of the internal market in the construction sector, Background Note Expert Group Meeting 22nd March 2012.

⁴⁹⁵ Ibid.

⁴⁹⁶ Business Europe, "Remaining obstacles to a true single market for services, 15 December 2014.

mobility of professionals in the construction sector.⁴⁹⁷ The report points, for instance, to the fact that, in the construction sector, some Member States carry out prior checks of qualifications for professions that should benefit from automatic recognition, such as architects. It also identifies additional notification or authorisation obligations and insurance obligations. The specific report on the construction sector also notes that most Member States do not seem to impose any horizontal authorisation on construction service providers.⁴⁹⁸ However, some Member States seem to have authorisation schemes under the SD which apply to economic activities / services in a rather horizontal manner, thus affecting also the construction sector.

The 2015 study on simplification and mutual recognition in the construction sector under the Services Directive, moreover, identified several horizontal authorization schemes which do not appear justified on the basis of the Services Directive.⁴⁹⁹ Moreover, stakeholders noted in this study that there are still important problems with the provision of services in another Member State. For example, stakeholders point to problems relating to the understanding of documentary requirements (e.g. whether a translation is required), the limitation to locally registered professionals for submitting designs when applying for building permits or very costly insurance obligations to be recognised in other Member States.⁵⁰⁰ Finally, it was found that: **"many companies choose not to work cross-border due to these problems. If cross border services are provided, a number of different strategies are used to circumvent problems, such as setting up a joint venture with a local company, or hiring a local architect or firm to handle administrative procedures."**⁵⁰¹

The 2012 Communication on the implementation of the Services Directive also found that requirements based on nationality or residence, even though prohibited under the SD and actively removed by Member States, were still applied in specific sectors, including in one Member State in the construction sector.⁵⁰² This means that a service provider has to be a national of the country where the service is provided or be resident in the country to start a business or, in the case of a company that its registered office has to be located in the Member State.

The performance check for the construction sector notes that the *cumulative application* of internal market rules, including the SD and PQD, lacks consistency and coherence.⁵⁰³ For example, tariff or legal form requirements applicable to certain professional services cannot be tentatively applied to cross-border providers on the basis of Article 5(3) of the PQD (since they are not directly linked with professional qualifications). Member States are only allowed to impose such rules on cross-border service providers if they are justified under Article 16 of the SD. Article 16 SD ensures that Member States shall not make access to or exercise of a service

⁴⁹⁷ Commission Staff Working Document on the result of the performance checks of the internal market for services (construction, business services and tourism) accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the implementation of the Services Directive. A partnership for new growth in services 2012-2016, COM(2012)261 and SWD(2012)147, 2012.

⁴⁹⁸ 2012 State of play of the internal market in the construction sector, Background Note Expert Group Meeting 22nd March 2012.

⁴⁹⁹ Ecorys Nederland, in association with Delft, University of Technology, "Simplification and mutual recognition in the construction sector under the Services Directive, November 2015, published on the European Commission website, DG MARKT.

⁵⁰⁰ *Ibid.*

⁵⁰¹ *Ibid.*

⁵⁰² Commission Staff Working Document, Detailed information on the implementation of Directive 2006/123/EC on services in the internal Market Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the implementation of the Services Directive. A partnership for new growth in services 2012-2015, SWD (2012) 148 final, p. 25.

⁵⁰³ Commission Staff Working Document on the result of the performance checks of the internal market for services (construction, business services and tourism) accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the implementation of the Services Directive. A partnership for new growth in services 2012-2016, COM(2012)261 and SWD(2012)147, 2012.

activity in their territory subject to compliance with any requirements which do not respect the principles of non-discrimination, necessity and proportionality and prohibits the introduction of specific requirements affecting the free provision of services, such as residency or authorisation requirements, in national legislation. The 2015 Communication on upgrading the single market announced a first step aiming to enhance the notification procedure for Member States to enable the Commission to verify the conformity and proportionality of new regulatory measures adopted in the Member States possibly affecting the free movement of services.⁵⁰⁴

The problems highlighted above are confirmed by stakeholders throughout the interviews carried out under this study. Several stakeholders highlight problems with the implementation of the SD and POD in the construction sector affecting the freedom to provide services in another Member State. For example, one stakeholder noted that certain Member States only accept documents authenticated by local professionals, such as translators or notaries. Another stakeholder notes that there is, to some extent, in practice an obligation to hire local people instead of working with people from their country of establishment with equivalent requirements due to the practical obstacles on the ground.

4.5 Directive 2011/7/EU on late payments

Many payments in commercial transactions between economic operators or between economic operators contract are laid down in the general commercial conditions. Although the goods are delivered or the services performed, many corresponding invoices are paid well after the deadline. Such late payment negatively affects liquidity and complicates the financial management of undertakings.⁵⁰⁵ One of the priority actions of the Commission Communication **of 26 November 2008 entitled 'European Economic Recovery Plan'** was the reduction of administrative burdens and the promotion of entrepreneurship, including through the timely payments of invoices.⁵⁰⁶ Directive 2011/7/EU on combating late payments (LPD) aims at combating late payment in commercial transactions, in order to ensure the proper functioning of the internal market, thereby fostering the competitiveness of undertakings and in particular of SMEs.⁵⁰⁷ The overarching purpose of the Directive is to improve business cash flow in EU Member States, and to facilitate the functioning of the internal market through the elimination of barriers related to cross-border commercial transactions. Another important objective is to contribute to the development and improvement of the Single Market.⁵⁰⁸

The Directive ultimately aims at contributing to the free provision of services due to the elimination of obstacles to the internal market resulting from the late payments of invoices by businesses established in another Member State. Nevertheless, it regulates a different matter than the SD and POD. The correct implementation of the LPD should however contribute to a level-playing field for EU businesses in the construction sector providing services in another Member State, in particular for SMEs. No specific inconsistencies were raised between the LPD and the SD in the implementation reports and interviews with stakeholders.

4.6 Conclusions

The SD and POD aim at making the free provision of services within the EU as simple as within an individual Member State. They share the same general objective of removing obstacles to the free movement of services and enhancing professional mobility in the EU through different complementary measures. Both apply to the mobility of professionals in the construction sector.

⁵⁰⁴ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Upgrading the Single Market: more opportunities for people and business, COM (2015)550, 2015.

⁵⁰⁵ Recital 3, Directive 2011/7/EU on combating late payment in commercial transactions

⁵⁰⁶ Recital 7, Directive 2011/7/EU on combating late payment in commercial transactions

⁵⁰⁷ Article 1, Directive 2011/7/EU on combating late payment in commercial transactions

⁵⁰⁸ **Valdani Vicari Associati, Technopolis Group, Ernst & Young for the European Commission, "Ex-post evaluation of the late payment directive", November 2015.**

The objectives of the SD and PQD are overall considered complementary and coherent. Implementation reports and stakeholders do not point to inconsistencies among the general and specific objectives of both instruments.

The PQD covers the recognition of professional qualifications, use of titles and knowledge of languages. Moreover, the mutual evaluation exercise under the PQD requires Member States to examine additional requirements under their legal system restricting access to a profession. The SD deals with other requirements hindering the provision of services in another Member States, including, for example, tariffs, legal form or ownership requirements. As mentioned by the **European Parliament: "for matters not relating to professional qualifications, the "Services Directive" applies to those regulated professions that fall within its scope."**⁵⁰⁹ The SD covers a large variety of sectors ranging from traditional activities to knowledge-based services, including services by construction companies and professionals. Therefore the two Directives are considered to complement each other whilst both covering different aspects of the free movement of professionals.

The Directives cross-refer one to each other in several instances. Consistency in the definitions is, for example, ensured through specific cross-references to the PQD definition within the SD. The 2011 evaluation of the 2005 PQD Directive identified several areas where the coherence and interaction between the procedures under both Directives could be enhanced. Such changes have been introduced in the amended PQD Directive, which now, for instance uses the points of single contact referred to in Article 6 of Directive 2006/123/EC for making available information on the PQD and for easy and remote completion of all requirements, procedures, formalities related to the PQD.

While the substantive requirements of the SD and PQD have thus been largely aligned, the implementation of the free movement of services in the construction sector in practice still raises important problems. Stakeholders note, for instance, that mutual recognition in the construction sector is still not working in certain cases.

The Commission Staff Working Document on the results of the performance checks highlights a number of instances of deficient implementation of the SD and the PQD which jointly affect the mobility of professionals in the construction sector. These concern authorisation requirements for automatically recognised professions (i.e. architects), residence or nationality requirements and insurance obligations. The performance check for the construction sector also notes that the *cumulative application* of internal market rules, including the SD and PQD, lacks consistency and coherence.

While the LPD ultimately also aims at contributing to the free provision of services due to the elimination of obstacles from the late payments of invoices, it regulates a different matter from the SD and PQD. The overarching purpose of the Directive is to facilitate the functioning of the internal market through the elimination of barriers related to cross-border commercial transactions. No specific inconsistencies were raised between the LPD and the SD in the implementation reports and interviews with stakeholders.

⁵⁰⁹ EC website, http://ec.europa.eu/growth/single-market/services/free-movement-professionals/qualifications-recognition/index_en.htm

5. OTHER POTENTIAL COHERENCE ISSUES BETWEEN CONSTRUCTION-RELATED EU LEGAL INSTRUMENTS ON ENERGY EFFICIENCY AND INTERNAL MARKET THAT WERE GROUPED INTO DIFFERENT BLOCKS

After having discussed coherence within each of the three main groups of EU legal instruments identified for the purpose of this fitness check, some of these pieces of EU legislation are also connected with one another outside of these groups. This is already reflected through the cross-references within the legal text themselves. The following exhibit systematically lays down any cross-reference that the legal act in each column includes to any of the other legal EU instruments. The green block refers to the coherence subsection on the EPBD, EED and RESD; the orange block to the coherence subsection on the EDD, ELD and CPR; and the purple block to the coherence subsection on the POD, SD and LPC.

Exhibit 5.1 Cross-references

	EPBD	EED	RESD	EDD	ELD	CPR	POD	SD	LPD
EPBD		Rec. 17, Rec. 30, Rec. 59, Art. 5, Art. 9, Art. 16, Art. 17, Art. 24, Art. 27, Annex III	[EPBD 2002] Rec. 17, Rec. 48						
EED	[Dir. 2006/32/EC] Rec. 21, Art. 5, Art. 10, Art. 14, Art. 15		[Dir. 2006/32/EC] Rec. 17						
RESD	Rec. 5, Rec. 6, Art. 9(3)(c), Annex I	Rec. 14, Art. 15, Art. 24							
EDD	Rec. 12	Rec. 58, Rec. 59, Art. 27, Annex III, Annex V	[Dir. 2005/32/EC] Rec. 17		Rec. 2, Rec. 7, Art. 10(3)(a)				
ELD	Rec. 12	Rec. 58, Rec. 63, Art. 6, Art. 27, Annex III		[Dir. 92/75/EEC] Rec. 35					
CPR									
POD	Rec. 30		Rec. 50, 51					Rec. 31, Art. 3(1)(d), Art. 4(11), Art. 5(4), Art. 15(2)(d), Art. 17(6)	
SD							Rec. 5, Art. 57, Art. 57a		
LPD									

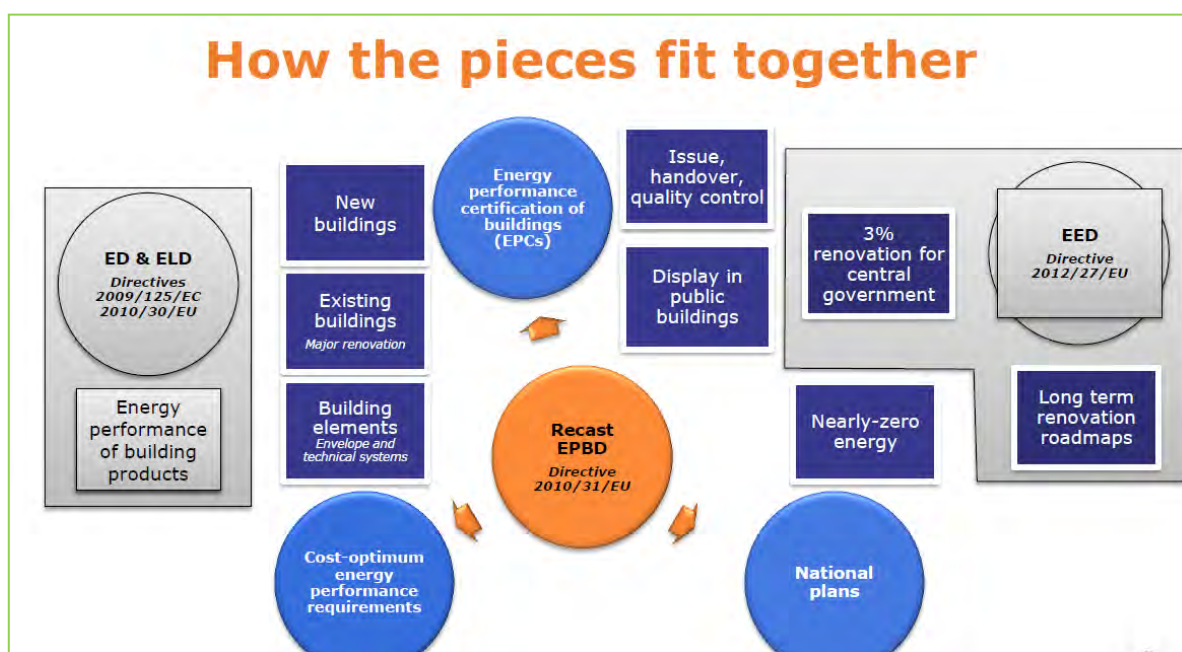
Source: Authors' own elaboration

The cross-references also reveal connections between the EPBD – EED and the EDD – ELD, and between the EED – EPBD – RESD and the PQD. An additional connection is made between the EPBD and the CPR. In addition, the CPR, in Annex I, outlines basic requirements for construction works: although meant to serve as the basis for designing harmonised technical specifications for placing products in the market, Member States, while regulating construction services, subject to the Service Directive, must take into consideration these basic requirements. In doing so the CPR takes precedent, as prescribed by Article 3(1) SD.

5.1 Energy Performance of Buildings and Energy Efficiency Directives vs. Ecodesign and Energy Labelling Directives

The list of EU legal instruments identified for the purpose of this fitness check includes four directives that directly relate to energy, and more particularly to energy performance of buildings: Directive 2012/27/EU (EED), Directive 2010/31/EU (EPBD), Directive 2009/125/EC (EDD) and Directive 2010/30/EU (ELD). The following exhibit illustrates how these four pieces of legislation relate to each other.

Exhibit 5.2 Connection between EPBD - EED - EDD and ELD



Source: Ferreira, V. (2015) *State of play of EU policy on energy efficiency in buildings*, EUSEW

The EPBD and the EED are generally considered to be “the EU’s main legislation when it comes to reducing the energy consumption of buildings”.⁵¹⁰ In addition, the ELD and the EDD mainly focus on the consumption of energy-related products (e.g. heating and lighting).⁵¹¹ As the inspection of heating and air-conditioning systems – which are energy-related products – is laid down in the EPBD, the EPBD is already often linked to the EDD and the ELD. Equally, the energy-related products possibly in scope of the EDD and the ELD, though not covered by any secondary regulation so far (e.g. windows or insulation materials), can have a direct impact on the energy performance of buildings (i.e. EPBD).⁵¹²

⁵¹⁰ <https://ec.europa.eu/energy/en/topics/energy-efficiency/buildings>

⁵¹¹ See also: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Resource Efficiency Opportunities in the Building Sector, COM(2014)455 final.

⁵¹² Ecofys, Ex-post evaluation of the application of Directive 2010/31/EU, Final report, Dec. 2015, p. 163.

Scope of the Energy Performance of Buildings Directive, the Energy Efficiency Directive, the Ecodesign Directive and the Energy Labelling Directive

Within the context of the Roadmap to a Resource Efficient Europe⁵¹³ and the Strategy for the Sustainable Competitiveness of the Construction Sector and its Enterprises⁵¹⁴, the four directives aim to improve the energy performance of buildings throughout their lifecycle.⁵¹⁵ Each have their specific scope, as the EED focuses on energy efficiency in general, the EPBD focuses on the energy performance of buildings and the EDD and ELD both establish particular requirements and/or means to provide information on energy consumption with regard to energy-related products. It is to be noted that the ELD addresses the supply side of the product markets, while the EDD addresses the demand side, and the EPBD and EED address both sides.

Exhibit 5.3 Objectives / scope of the EED, EPBD, EDD and ELD

EED	EPBD	EDD	ELD
Art. 1(1) – This Directive establishes a common framework of measures for the promotion of energy efficiency within the Union in order to ensure the achievement of the Union’s 2020 20 % headline target on energy efficiency and to pave the way for further energy efficiency improvements beyond that date. It lays down rules designed to remove barriers in the energy market and overcome market failures that impede efficiency in the supply and use of energy, and provides for the establishment of indicative national energy efficiency targets for 2020.	Art. 1(1) – This Directive promotes the improvement of the energy performance of buildings within the Union, taking into account outdoor climatic and local conditions, as well as indoor climate requirements and cost-effectiveness.	Art. 1(1) - 1. This Directive establishes a framework for the setting of Community ecodesign requirements for energy-related products with the aim of ensuring the free movement of such products within the internal market.	Art. 1(1) - This Directive establishes a framework for the harmonisation of national measures on end-user information, particularly by means of labelling and standard product information, on the consumption of energy and where relevant of other essential resources during use, and supplementary information concerning energy-related products, thereby allowing end-users to choose more efficient products.

The EPBD and the EDD/ELD do not overlap with regard to their objectives as the EPBD focuses on the building level, components and systems, while the EDD and the ELD target energy-related products.⁵¹⁶ First, however, it is necessary to have a look at the definitions involved.

⁵¹³ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Roadmap to a Resource Efficient Europe, COM(2011)571 final.

⁵¹⁴ Communication from the Commission to the European Parliament and the Council on Strategy for the sustainable competitiveness of the construction sector and its enterprises, COM(2012)433 final.

⁵¹⁵ See also with regard to the environmental performance of buildings: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Resource Efficiency Opportunities in the Building Sector, COM(2014)455 final.

⁵¹⁶ Ecofys, Ex-post evaluation of the application of Directive 2010/31/EU, Final report, Dec. 2015, p.46.

Exhibit 5.4 Definitions in the EED, EPBD, EDD and ELD

	EED	EPBD	EDD	ELD
Technical building system	/	Art. 2(3) – ‘Technical building system’ means technical equipment for the heating, cooling, ventilation, hot water, lighting or for a combination thereof, of a building or building unit;	(the word building system is not used in the EDD, but ‘heating and water heating equipment’ as well as ‘HVAC (heating ventilating air conditioning) systems’ are used, without providing a definition)	/
Air-conditioning system	/	Art. 2(15) – ‘Air-conditioning system’ means a combination of the <u>components</u> required to provide a form of indoor air treatment, by which temperature is controlled or can be lowered;	‘HVAC (heating ventilating air conditioning) systems’ is used in the EDD, without providing a definition)	/

Energy-related product	Recital 58 - In order to tap the considerable energy-saving potential of energy-related products, the implementation of Directive 2009/125/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for the setting of ecodesign requirements for energy-related products and Directive 2010/30/EU of the European Parliament and of the Council of 19 May 2010 on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products should be accelerated and widened. Priority should be given to products offering the highest energy-saving potential as identified by the Ecodesign Working Plan and the revision, where appropriate, of existing measures.	/	Art. 2(1) - ' Energy-related product ', (a ' product '), means any good that has an impact on energy consumption during use which is placed on the market and/or put into service, and includes parts intended to be incorporated into energy-related products covered by this Directive which are placed on the market and/or put into service as individual parts for end-users and of which the environmental performance can be assessed independently;	Art. 2(a) - ' energy-related product ' or ' product ' means any good having an impact on energy consumption during use, which is placed on the market and/or put into service in the Union, including parts intended to be incorporated into energy-related products covered by this Directive which are placed on the market and/or put into service as individual parts for end-users and of which the environmental performance can be assessed independently;
Component	/	(no definition even though the word is used in the EPBD, see e.g. definition of ' air-conditioning system ')	Art. 2(2) - ' Components and sub-assemblies ' means parts intended to be incorporated into products which are not placed on the market and/or put into service as individual parts for endusers or the environmental performance of which cannot be assessed independently;	/
Energy efficiency	Art. 2(4) - ' energy efficiency ' means the ratio of output of performance, service, goods or energy, to input of energy;	/	/	/

While the EPBD includes definitions for 'technical building system' and 'air-conditioning system', similar wording is used in the EDD, without however providing a definition or a cross-reference to the EPBD. Equally, the EDD includes a definition of 'components and sub-assemblies', while the EPBD uses the word 'components' without referencing a definition. Ecofys has therefore concluded that "to support implementation, the definitions within the Directives (as e.g. definitions of "system" or "component") could be streamlined".⁵¹⁷ It is to be further noted that none of the directives includes a definition of 'energy efficiency' even though these words are used throughout. Therefore, this Study suggests to add a definition of 'energy efficiency' aligned with the EED.⁵¹⁸ The lack of streamlined definitions does, however, not impact the construction sector.

Technical building systems

According to Article 8 EPBD, Member States are to set system requirements for new, the replacement of and upgrading of technical building systems, including at least heating systems, hot water systems, air-conditioning systems and large ventilation systems (or combinations of such systems). Several stakeholders have argued that incoherence issues with the EDD/ELD may arise related to the regulation of systems, although – according to Ecofys – their comments generally lack argumentation.⁵¹⁹ For example, some have stated that optimizing individual products could be to the detriment of system performance, hence concluding that product and system approaches could be in conflict. However, no example has been put forward, and the argument has therefore lost its attractiveness. After having indeed considered all arguments, Ecofys reached the conclusion that "[o]verall, the products and systems approach (under E[D]D/ELD and EPBD respectively) may be considered compatible, and may complement each other to realize a large energy savings potential. The E[D]D and ELD guarantee a good quality of the individual heating product, also if used for retrofit, while the EPBD addresses the performance of the whole building, mainly for new buildings." Indeed, the EDD and ELD set specific values for the efficiency of certain energy related products, while the EPBD sets energy performance standards via the cost-optimality process at building or component level. Even though there is no incoherence, the links between products, systems and buildings can still be less fragmented.⁵²⁰

However, ecodesign requirements for individual product groups which are created under the EDD and which are laid down in specific regulations, may overlap with Article 8 EPBD. An example mentioned in the Ecofys study is the "package label" for boilers^{521, 522} Ecofys has also

⁵¹⁷ Ecofys, Ex-post evaluation of the application of Directive 2010/31/EU, Final report, Dec. 2015, p.46.

⁵¹⁸ This suggestion has also been included in Draft Opinion of the Committee on the Environment, Public Health and Food Safety for the Committee on Industry, Research and Energy on the proposal for a regulation of the European Parliament and of the Council setting a framework for energy efficiency labelling and repealing Directive 2010/30/EU (COM(2015)0341 – C8-0189/2015 – 2015/0149(COD)).

⁵¹⁹ Ecofys, Final technical report Evaluation of the Energy Labelling Directive and specific aspects of the Ecodesign Directive ENER/C3/2012-523, June 2014, pp. 43-44, available at: https://ec.europa.eu/energy/sites/ener/files/documents/Final_technical_report-Evaluation_ELD_ED_June_2014.pdf

⁵²⁰ This view was also given as an answer to Q76 in Ecofys, Public Consultation on the Evaluation of the EPBD, Final Report, Nov. 2015. For some examples, see: J. Railio, Is the Eco-design Directive compatible with the Energy Performance Buildings Directive?, REHVA journal, Jan. 2011, pp. 28-29, available at: http://www.rehva.eu/fileadmin/hvac-dictio/01-2011/art_jorma-railio-epbd-erp.pdf.

⁵²¹ Regulations (EU) No 811 & 812/2013 with regard to energy labelling of space heaters, combination heaters, packages of space heater, temperature control and solar device and packages of combination heater, temperature control and solar device, and of water heaters, hot water storage tanks and packages of water heater and solar device, and Regulations (EU) No 813 & 814/2013 with regard to ecodesign requirements for space heaters and combination heaters, and for water heaters and hot water storage tanks establish minimum requirements and an energy labelling scheme for space heaters and water heaters. These Regulations only came into force on 26 September 2015 and their impacts on the construction sector therefore fall outside of the scope of this study (i.e. 2004-2014).

⁵²² See, e.g., Ecofys, Ex-post evaluation of the application of Directive 2010/31/EU, Final report, Dec. 2015: "The Ecodesign Directive sets requirements of products such as boilers or air-conditioners and as

added that “[t]he potential for contradictions will probably grow with provisions of Ecodesign on energy related products, like windows, which are also addressed by component requirements of the cost optimality process under the EPBD.”⁵²³ The Ecofys study therefore recommends to “explore potentials for including system aspects in regulations made under the EDD and ELD”.⁵²⁴

Inputs and outputs

Articles 3 to 7 of the EPBD relate to the calculation of the energy performance of buildings, the methodology of which shall be adopted at national or regional level. As the EPBD uses the EU-wide primary energy factors (PEF) in calculating the building system efficiency requirements, it is recommended that the PEF are also used in the context of the EDD and ELD – even though there are arguments against using the PEF as these energy factors may not always take into account the technology used.⁵²⁵ In short, the EPBD, EDD and ELD would be more consistent if the required outputs of tests and measurements under the EDD and ELD are made directly compatible with the required data inputs under the EPBD.⁵²⁶ It is to be noted that Ecofys refers to ‘Mandate M480 for updating the set of CEN standards underlying the recast of the EPBD’ and that “[d]uring recent discussions in M480, the argument came up that the CE marking, which is governed by the Common Provisions Regulation, might also be the place to define technical parameters that can be used as input into calculations of the energy performance of buildings rather than using Ecodesign for that purpose.”⁵²⁷

Conclusion

The EED, EPBD, EDD and ELD all have complementary objectives which are well-aligned with each other and which do not overlap, given that the directives focus on energy efficiency at different levels in the building chain⁵²⁸. Their synergies could be strengthened by streamlining the concepts of ‘system’, ‘product’ and ‘component’ and by focusing on overall system efficiency instead of single-minded measures. Further fragmentation can be avoided by requiring that the outputs under the EDD and ELD are directly compatible with the inputs under the EPBD. This conclusion is supported, inter alia, by the results from the ex-post evaluation of the application of the EPBD and by the results from the evaluation of the EDD.⁵²⁹

5.2 Energy Performance of Buildings Directive vs. Construction Product Regulation

such does in principal not create an overlap with the EPBD. An **exception is the new “package label” for boilers** that does create an overlap with the system requirement Article 8 of the EPBD. It remains to be seen whether this overlap will lead to issues in implementation. As a product-specific approach (e.g., an energy efficient boiler) does not consequently lead to an energy efficient building. It is important to reach for the highest efficiency in products to support energy efficiency in buildings and to reduce energy costs. But the highest overall efficiency will only be reached by optimising the entire system by effectively matching – if applicable e.g. in replacements or upgrades new and existing – components [DNA, 2011]. It can be concluded that the product approach of the ED and the system efficiency approach of the EPBD **are complementary approaches, with the exception of the package label for boilers.”**

⁵²³ Ecofys, Ex-post evaluation of the application of Directive 2010/31/EU, Final report, Dec. 2015, p. 164.

⁵²⁴ Ecofys, Final technical report Evaluation of the Energy Labelling Directive and specific aspects of the Ecodesign Directive ENER/C3/2012-523, June 2014, pp. 4-5, available at: https://ec.europa.eu/energy/sites/ener/files/documents/Final_technical_report-Evaluation_ELD_ED_June_2014.pdf.

⁵²⁵ More information on the PEF, and on the compatibility with the EPBD, can be found in: Ecofys, Final technical report Evaluation of the Energy Labelling Directive and specific aspects of the Ecodesign Directive ENER/C3/2012-523, June 2014, available at: https://ec.europa.eu/energy/sites/ener/files/documents/Final_technical_report-Evaluation_ELD_ED_June_2014.pdf

⁵²⁶ Ecofys, Ex-post evaluation of the application of Directive 2010/31/EU, Final report, Dec. 2015, p. 164.

⁵²⁷ Ecofys, Ex-post evaluation of the application of Directive 2010/31/EU, Final report, Dec. 2015, p. 164.

⁵²⁸ **This conclusion is, inter alia, supported by the European Environmental Citizens’ Organisation for Standardisation (ECOS)**, in their reply to the 2015 EED open public consultation.

⁵²⁹ Ecofys, Ex-post evaluation of the application of Directive 2010/31/EU, Final report, Dec. 2015; and CSES, Evaluation of Ecodesign Directive, 3rd stakeholder meeting, 18 January 2012, available at: <http://www.cses.co.uk/upl/File/session-1.pdf>

The clear link between the EPBD and the EDD/ELD has been elaborated upon above as laying down the connection between energy efficiency in buildings and in related products (e.g. a boiler or an air-conditioning system). A similar link exists between the EPBD and the CPR, as the latter establishes harmonised rules for the marketing of construction products, hereby allowing the comparison of the energy related performance of products from different manufacturers. As the EPBD takes a system approach while the CPR acts at product level, it is generally acknowledged that both directives do not overlap.⁵³⁰ Nevertheless, the adoption of a new standard on sustainability or energy economy under the CPR could contribute to achieving the objectives of the EPBD.

Annex I to the CPR establishes a list of basic requirements that shall constitute the basis for the preparation of standardisation mandates and harmonised technical specifications. Sustainable construction could be incentivised through the properties and performance of construction products and construction works through the Basic Requirements for construction works as defined in Annex I CPR. These Basic Requirements (BR) cover:

- 1) Mechanical resistance and stability,
- 2) Safety in case of fire,
- 3) Hygiene, health and the environment,
- 4) Safety and accessibility in use,
- 5) Protection against noise,
- 6) Energy economy and heat retention,
- 7) Sustainable use of natural resources.

Sustainable construction requirements for construction products would involve BR3 (hygiene, health and the environment), BR6 (energy economy and heat retention) and BR7 (sustainable use of natural resources).

The development of harmonised standards at EU level for sustainable or energy efficient construction products could therefore contribute to the achievement of the objectives of the EPBD. In particular, where the EDD adopts a product-based approach, the CPR considers the product in the lifecycle of the construction works. There is thus an opportunity to achieve important synergies between the CPR and the EPBD through a coordinated approach. Many stakeholders moreover clearly express a preference for regulating the issue of sustainable construction products through the CPR rather than the EDD for these same reasons.

Setting standards is considered the most direct and appropriate way to target sustainable construction. It is important to consider, however, that the development and implementation of EU standards is a timely and often costly process.

5.3 Energy Efficiency, Energy Performance in Buildings and Renewable Energy Source Directives vs. Professional Qualifications and Services Directives

On one side, the EED, EPBD and RESD all provide for MS to set up certain certification/accreditation schemes. On the other side, the PQD and SD regulate the free movement of service providers, and the recognition of professional qualifications and other requirements for establishing providers. As such, the provisions on accreditation/certification should apply without prejudice to the requirements of the PQD and SD. Even though the EED, EPBD and RESD consistently urge MS to take the PQD into account, the differences in certification and qualification criteria persist and cross-border mutual recognition therefore remains slow to emerge. This is considered problematic in view of the PQD and the SD, which apply without prejudice to the specific certification requirements set out in these Directives in particular as – as indicated below – this applicability should result in some cases in automatic recognition whether under the PQD or SD. Additionally, any authorisation/certification scheme

⁵³⁰ See, e.g., Ecofys, Ex-post evaluation of the application of Directive 2010/31/EU, Final report, Dec. 2015, p. 156.

established under national law shall meet the requirements of Article 10 of the SD, including the requirement to be non-discriminatory, justified and proportionate. Under Article 16 SD temporary cross-border providers should, in principle, comply with requirements from the home MS only: host MS requirements can only be imposed if they can be exceptionally justified, in a proportionate manner, under overriding reasons of public policy, public health, public safety and the protection of the environment. Such justification can only be truly exceptional in cases where Directives such as EED, EPBD and RESD harmonise the regulatory environment for service provision.

Exhibit 5.5 Provisions on mutual recognition in the EED, EPBD and RESD

EED	EPBD	RESD
<p>Art. 16(3) - Member States shall make publicly available the certification and/or accreditation schemes or equivalent qualification schemes referred to in paragraph 1 and shall cooperate among themselves and with the Commission on comparisons between, and recognition of, the schemes.</p>	<p>Recital 30 - Member States should take account of Directive 2005/36/EC of the European Parliament and of the Council of 7 September 2005 on the recognition of professional qualifications with regard to the mutual recognition of professional experts which are addressed by this Directive, and the Commission should continue its activities under the Intelligent Energy Europe Programme on guidelines and recommendations for standards for the training of such professional experts.</p>	<p>Recital 50 - In so far as the access or pursuit of the profession of installer is a regulated profession, the preconditions for the recognition of professional qualifications are laid down in Directive 2005/36/EC of the European Parliament and of the Council of 7 September 2005 on the recognition of professional qualifications. This Directive therefore applies without prejudice to Directive 2005/36/EC.</p> <p>Art. 14 (3) - [...] Each Member State shall recognise certification awarded by other Member States in accordance with those criteria.</p>

The EED, in Art. 16(3), urges MS to cooperate on the recognition of the certification and/or accreditation schemes or equivalent qualification schemes for the providers of energy services, energy audits, energy managers and installers of energy-related building elements. However, it does not refer to PQD, nor does it set rules on mutual recognition. The EPBD explicitly refers to **the PQD in its recitals with regard to the mutual recognition of 'professional experts' (qualified and/or accredited)**. The RESD also makes a direct reference to the PQD in its recital with regard to the access or pursuit of the profession of installers in particular when it is a regulated profession. It also includes, in Article 14(3), a general requirement on mutual recognition for certification awarded in accordance with a number of general criteria listed in Annex IV to the Directive.

When there are no rules on the mutual recognition of certificates on professional qualifications, the recognition procedure of the PDQ applies:

- if the holders of the certificates have to fulfil minimum requirements, there should be automatic recognition of the certificates.
- in the absence of such minimum requirements, but when the EU legislation requires MS to establish a certification scheme, MS can decide on the criteria and the certificates should follow the general recognition procedure of the PQD.

The same approach should be followed for those other controls and requirements, not related to professional qualifications, governed by the SD:

- If requirements are set at EU-level, even at a minimum level, there should be automatic recognition of the authorisations/certificates.

- In the absence of such minimum requirements, but when the EU legislation requires MS to establish an authorisation/certification scheme, MS can decide on the criteria and the certificates should follow the general recognition rule of the SD (Article 10(3)).

Under each of the three energy-related directives, the certification schemes or equivalent can be voluntary. It should also be noted that the PQD and the SD do not apply to voluntary schemes. For instance, certification schemes under the RESD can be voluntary or compulsory, even if the majority of those are voluntary.⁵³¹ Where the scheme is compulsory, the recognition of certificates shall meet the requirements of the PQD or the SD.

In 2012, the Commission raised concerns, noting that “businesses and professionals face problems because of the lack of mutual recognition clauses in sector-specific EU legislation that provides for authorisation or registration schemes or the certification of experts”.⁵³² Even in the case of the RESD, which provides for mutual recognition, the differences in certification or qualification systems lead to challenges in practice.⁵³³ This suggests that the application of the PQD and SD does not prevent problems in terms of practical implementation. The mutual evaluation exercise of obstacles to the access to professions under the PQD could provide a useful tool to identify and address such problems in practical implementation.

To address this problem, *QualiCert* has suggested an approach to make the various schemes compatible in the context of a European market with free movement of labour.⁵³⁴ Stakeholders have also suggested that providing EU-specific training and examination regulations could ensure a higher standard of installations and increase the coherence across MS, although this could lead to costly system adaptations. CE Delft has proposed the introduction of a standardised test for all European installers/inspectors/certifiers/auditors as part of national certification/qualification (including country-specific elements), which could also benefit the harmonisation of training standards and would be a cost-efficient way to guarantee a Europe-wide minimum standards while keeping intervention into national systems low.⁵³⁵

Conclusion

Even though the EED, EPBD and RESD consistently urge Member States to take the PQD into account, the problem of differences in certification and qualification criteria persists and cross border mutual recognition therefore remains slow to emerge. This is considered problematic in view of the PQD and the SD, which aim at reducing obstacles to the freedom of establishment and free provision of services across the EU and which apply without prejudice to the specific certification requirements set out in these Directives. In addition, some specialised construction workers, such as installers of small-scale renewable energy systems, may be considered **‘regulated professions’ under the PQD in some Member States, but not in all: installers of RES technologies are considered a regulated profession in 40% of the Member States.**⁵³⁶ The regulation of some specialised construction activities in a limited number of Member States can further create an obstacle to the free movement of professionals, as protected under the SD

⁵³¹ CA-RES (2015) II Core Theme Interim Report – Core Theme 3 RES HEAT, at p.6, available at http://www.ca-res.eu/fileadmin/cares/public/Reports/CT_Interim_Reports/CT3_Interim_Report_Final.pdf, (last accessed on April 2016).

⁵³² Commission Staff Working Document on the result of the performance checks of the internal market for services (construction, business services and tourism) accompanying the Communication on the implementation of the SD, SWD(2012)247, at p.9.

⁵³³ See, e.g., in the conclusions of CE DELFT (2015), Mid-term evaluation of the Renewable Energy Directive. A study in the context of the REFIT programme, Report for DG ENER; See also CA EPBD (2016) Implementing the Energy Performance of Buildings Directive, at p. 105, available at: <http://www.epbd-ca.eu/outcomes/2011-2015/CA3-BOOK-2016-A-web.pdf> (last accessed on April 2016).

⁵³⁴ ADEME (2011), QualiCert Manual - A common approach for certification or equivalent qualification of installers of small-scale renewable energy systems in buildings,

⁵³⁵ CE DELFT (2015), Mid-term evaluation of the Renewable Energy Directive. A study in the context of the REFIT programme, Report for DG ENER, at p. 26.

⁵³⁶ CA-RES, Working Group 5. Information and training, available at: https://ec.europa.eu/energy/intelligent/projects/sites/iee-projects/files/projects/documents/ca-res_working_group_publication_no_5_en.pdf

and the PQD.⁵³⁷ Any authorisation/certification schemes established in national law shall meet the requirements of Article 10 SD, which requires, among others, that such schemes be non-discriminatory,, justified and proportionate. In the absence of harmonisation, mutual recognition for establishing providers shall follow either the PQD or Article 10(3) SD. Harmonisation, if at a minimum level, should mean automatic recognition in a host MS. Temporary cross-border providers should be bound to home MS rules only, particularly in a (partially) harmonised context... Particular attention thus seems necessary to the correct application of the internal market legislation for services to the certification schemes established under sector-specific legislation in the construction sector. The mutual evaluation exercise under the PQD could provide a useful tool for identifying and remedying the obstacles to the mutual recognition of professional qualifications in these specific cases.

⁵³⁷ CSES, Study to provide an Inventory of Reserves of Activities linked to professional qualifications requirements in 13 EU Member States & assessing their economic impact, Final Report, January 2012, p.1, available at: http://ec.europa.eu/internal_market/qualifications/docs/news/20120214-report_en.pdf

6. COHERENCE EVALUATION QUESTIONS

To what extent do all pieces of EU legislation fit together sufficiently well and provide the construction sector with a clear and predictable regulatory framework?

The list of legal instruments identified for the purpose of this fitness check consists of three Directives and one Regulation mainly aimed at Internal Market, and five Directives mainly focusing on Energy Efficiency. For the purpose of the coherence analysis, these EU instruments were divided into three groups, of which the first group comprehends three instruments which establish requirements for construction products, either as product requirements or as labelling requirements, namely the Construction Product Regulation (EU) 305/2011 (CPR), the Eco-Design Directive 2009/125/EC (EDD) and the Energy Labelling Directive 2010/30/EU (ELD). The second group includes the energy efficiency legislation that is applicable to the construction sector, in particular the Energy Efficiency Directive 2012/27/EU (EED), the Energy Performance in Buildings Directive 2010/31/EU (EPBD) and the Renewable Energy Sources Directive 2009/28/EC (RESO). The third group deals with legislation applicable to the provision of services in the construction sector, in particular Directive 2006/123/EC on services in the internal market (SD), Directive 2005/36/EC on the mutual recognition of professional qualifications (PQD) and Directive 2011/7/EU on combating late payment in commercial transactions (LPD). Within each group, an analysis was made as to what extent the three pieces of EU legislation fit together sufficiently well. The few existing links between Internal Market legislation impacting on the construction industry, on the one hand, and Energy Efficiency legislation impacting on the construction industry, on the other hand, have been discussed in the last subsection 5.

This Study has shown that all pieces of EU legislation fit together sufficiently well in the sense that their scope and their objectives are considered to be complementary and coherent. The main conclusions are further elaborated upon as follows:

- The SD and PQD aim at making the free provision of services within the Community as simple as within an individual Member State. They share the same general objective of removing obstacles to the free movement of services and enhancing professional mobility in the EU through different complementary measures. Both apply to the mobility of professionals in the construction sector. The objectives of both Directives are overall considered complementary and coherent. Implementation reports and stakeholders do not point to inconsistencies among the general and specific objectives of both instruments. Consistency in the definitions is, for example, ensured through specific cross-references to the PQD definition within the SD.
- While the LPD ultimately also aims at contributing to the provision of cross-border services, it regulates a different matter from the SD and PQD. The LPD aims at combating late payment in commercial transactions in order to ensure the proper functioning of the Internal Market. No specific inconsistencies were raised between the LPD and the SD in the implementation reports and interviews with stakeholders.
- The comparative analysis of the EED, EPBD and RESO carried out has confirmed that there is great synergy with regard to their objective. This conclusion has been corroborated through the 2015 **ex-post evaluation of the EPBD**. **The related report has stated the following: "The EPBD and the EED have linked effects on the realisation of the objectives of the EPBD". In addition, "[a]s the EPBD aims to reduce the energy consumption of buildings as well as to increase the use of energy from renewable sources, the EPBD is also connected to the Renewables Directives (2009/28/EC) (RED) and vice versa."**
- The objectives of the CPR, ELD and EDD are clearly distinct and are mostly considered complementary and coherent. While, similarly to the CPR aiming to eliminate barriers in the EU internal market, the EDD also aims at reducing the overall negative impact of products placed on the EU market in the perspective of sustainable development. The ELD complements the EDD by setting a framework for the labelling and the provision of

information regarding energy consumption. The substantial requirements under the EDD and ELD are mostly considered coherent and complementary.

- The EED, EPBD, EDD and ELD all have complementary objectives which are well-aligned with each other and which do not overlap, given that the directives focus on energy efficiency at different levels in the building chain.

While in terms of scope and objectives, great synergies have been found between the identified EU legal acts, the total picture is more nuanced. The legal analysis has concluded that there exist several shortcomings related to the more substantial requirements and the definitions within these acts. These shortcomings are further discussed in the following EQ, but it must be noted that, from a practical perspective, the legal shortcomings do not currently impact on the performance of the construction sector. Consequently, it is considered that the regulatory framework is sufficiently predictable for the construction sector.

What are the specific inconsistencies overlaps (e.g. in terms of definitions) or gaps that can be identified across the identified EU legal acts?

- All in all, no major overlaps, but rather synergies, both actual and potential, have been identified between the SD and the PQD. The proposal for the review of the PQD in 2013 took into account some areas where coherence could still be improved (e.g. with regard to the exchange of information, similar to the alter system under the SD, and the introduction of a single point of contact), resulting in consistent substantive requirements at EU level.
- The comparative analysis of the EED, EPBD and RESD shows a strong synergy with regard to their substantive requirements, which however implies that there may be potentially overlapping provisions, especially with regard to the certification of buildings and building units, and the accreditation and training of experts. The coexistence of four different schemes regarding the certification of buildings (or building units) may give rise to some inconsistencies, also due to the interaction with national legislation. Especially in those specific cases where certification and/or inspections under the EPBD in a given Member State may go hand in hand with energy audits – for instance when auditing office buildings of a large enterprise - some of the respondents to the 2015 public consultation on the EED were of the opinion that it is confusing that the energy performance of buildings is targeted in different directives.⁵³⁸ Concerning the accreditation and training of experts, where certification in the EPBD, and to some extent the RESD, covers a subset of the energy professions that can be certified under the EED, the qualification/accreditation schemes may overlap to a rather large extent. The various overlaps create some impact on the construction sector, but not necessarily in a negative way.
 - Recommendations: Due to the existence of some overlaps with regard to the substantive requirements of the EED, EPBD and RESD, an increasing number of stakeholders suggests having the energy performance of buildings entirely and fully integrated in the EED or having only one directive entirely focusing on buildings. The report on the 2014 public consultation on the review of progress on the 2020 energy efficiency objective, on its turn, suggests that the building-related provisions of the EED should be incorporated in the EPBD to have a single and powerful policy instrument.
- There is currently only one potential inconsistency between the EDD and CPR for specific product categories, namely for solid fuel space heaters, as regulated by the recently adopted Commission Regulation (EU) 2015/1185 and a hEN under the CPR. For four other product categories which may be considered a construction product and an energy-related product at the same time, there are currently no concrete overlaps as both acts cover different

⁵³⁸ The problem is covered by the Commission guidance note on Article 8 of the EED, which advises Member States as to how to ensure that national transposition measures to exploit the synergies between the EPBD and the EED.

aspects of the products and have different objectives. The overlap could extend to other product categories when implementing acts for additional construction products are adopted under the EDD.

- Recommendations: In Recital 18 of the most recent Regulation (EU) 2015/1185, the Commission announced the further integration of ecodesign requirements in hEN for the sake of legal certainty and simplification. Notably, though, the adoption or modification of harmonised standards is a lengthy process and not a sole competence of the Commission. Close collaboration will be required between the Commission, on the one hand, and the European Standardisation Organisations. Finally, ecodesign requirements will have to be integrated within the relevant hEN when adopted, for every product category. Nevertheless, the integration would be an easy, but clear way forward to remedy the concerns expressed by stakeholders, given the small scope of overlaps currently existing between both legal instruments (currently only one product category).
- The EDD, ELD, and CPR do not use identical definitions **of 'economic operators' nor of the term 'placing on the market'.** These inconsistencies, however, do not lead to substantial problems for the construction sector.
 - Recommendations: It is recommended, in view of legal clarity, to aim at using the same definitions where possible, especially in the situation in which the requirements under the different instruments will apply to a same operator for making one same product available on the market.

To what extent can the inconsistencies and overlaps be attributed to provisions in the existing EU legislative framework or to implementation and/or transposition at national (including regional and local) level or to existing national legislative frameworks?

- The implementation of the free movement of services in the construction sector in practice still raises important problems. Significant obstacles affecting the mobility of professionals across Member States have been identified in performance checks, mutual evaluation exercises and studies. Businesses are often confronted with requirements imposed on them in addition to those to which they are subject in the Member State where they are established. For example, stakeholders point to problems relating to the understanding of documentary requirements (e.g. whether a translation is required) or to the limitation to locally registered professionals for submitting designs when applying for building permits. Also prior checks of qualifications for professions that should benefit from automatic recognition have been reported. Other concerns relate to the authorisation requirements for automatically recognised professions (i.e. architects), residence or nationality requirements and insurance obligations.
- With regard to the harmonization and coordination at a practical and national level of the EED, EPBD and RESD, several impediments have arisen. In most countries, regular inspections / certifications and energy audits are covered by different legislation and managed by different public authorities. Further, numerous problems have also been reported with regard to the proper implementation of the EPC at Member State level, which obviously will prevent any harmonization with inspections and energy audits. Furthermore, also qualification and training of energy efficiency experts remains a competence of Member States, sometimes at regional level, and, in most Member States, different ministries are responsible for the EPBD and the EED/RESD, also leading to different approaches. In addition, the existing certification and qualification schemes for installers of small-scale RES in buildings are so diverse among themselves that any harmonization with the schemes and training programmes foreseen under the EED and EPBD is impeded. Finally, also the implementation of Article 14(3) of the RESD in various Member States differs considerably.
 - Recommendations: One important recommendation, in order to create synergies, is to work upon one harmonised set of definitions with regard to the schemes aiming for quality assurance of energy professionals. These

schemes currently have different names (including certification, qualification, label and accreditation) – at EU level and at national level - and the meaning of these words can be quite different from one country to another, reflecting the different needs in each country.

- Even though the EED, EPBD and RESD consistently urge Member States to take the PQD into account, the problem of differences in certification and qualification criteria persists and cross border mutual recognition therefore remains slow to emerge. This is considered problematic in view of the PQD and the SD, which aim at reducing obstacles to the freedom of establishment and free provision of services across the EU and which apply without prejudice to the specific certification requirements set out in these Directives. In addition, some specialised construction workers, such as installers of small-scale renewable energy systems, may **be considered 'regulated professions' under the PQD in some Member States, but not in all**: installers of RES technologies are considered a regulated profession in 40% of the Member States.⁵³⁹ The regulation of some specialised construction activities in a limited number of Member States can further create an obstacle to the free movement of professionals, as protected under the SD and the PQD.⁵⁴⁰ Any authorisation/certification schemes established in national law shall meet the requirements of Article 10 SD, which requires, among others, that such schemes be non-discriminatory, justified and proportionate. In the absence of harmonisation, mutual recognition for establishing providers shall follow either the PQD or Article 10(3) SD. Harmonisation, if at a minimum level, should mean automatic recognition in a host MS. Temporary cross-border providers should be bound to home MS rules only, particularly in a (partially) harmonised context. Particular attention thus seems necessary to the correct application of the internal market legislation for services to the certification schemes established under sector-specific legislation in the construction sector. The mutual evaluation exercise under the PQD could provide a useful tool for identifying and remedying the obstacles to the mutual recognition of professional qualifications in these specific cases.

Concluding remarks

In general, the evaluation of coherence of the acts retained in the scope of the analysis is positive. While a detailed assessment has identified shortcomings and overlaps, they are not perceived as currently having an impact on the performance, competitiveness and sustainability of the construction sector. In other words, the identified shortcomings have not yet generated material effect on the construction sector and would, at most, only entail possible future costs. Furthermore, a good deal of complementary measures or synergies could be identified.

⁵³⁹ CA-RES, Working Group 5. Information and training, available at: https://ec.europa.eu/energy/intelligent/projects/sites/iee-projects/files/projects/documents/ca-res_working_group_publication_no_5_en.pdf

⁵⁴⁰ CSES, Study to provide an Inventory of Reserves of Activities linked to professional qualifications requirements in 13 EU Member States & assessing their economic impact, Final Report, January 2012, p.1, available at: http://ec.europa.eu/internal_market/qualifications/docs/news/20120214-report_en.pdf

Annex V

Retrieval of primary information from stakeholders

1 INTRODUCTION

This annex provides information on the counterparts that were contacted during the fact-finding phase of this Assignment. Fact-finding covered 10 MS to be analysed in detail. Information was also collected in other countries, in particular from stakeholder associations and professional bodies. Retrieval of primary information for this Study was carried out via:

1. Face-to-face or telephone interviews with *firms* in the MS to be covered in-depth.
2. Face-to-face or telephone interviews with *stakeholder associations* at EU and national level;
3. Face-to-face or telephone interviews with *public authorities* in the MS to be covered in-depth;
4. Two surveys were deployed: (i) an online questionnaire with associations and other stakeholders active in the construction product industry; and (ii) an email survey of **architects' professional bodies. In addition, the Consultants attended four events** organized by business associations/institutions.

In total, *132 interviews were held*, of which 10 with national authorities, 41 with industry associations, and 81 with firms.⁵⁴¹ Considering also the two surveys, *170 successful contacts have taken place*.

Interviews with associations and national authorities were conducted on the basis of *checklists*, consisting of lists of themes for discussion. The checklists were always tailored to the specific context and interlocutor. Interviews with firms were conducted on the basis of structured *questionnaires*. A set of four questionnaires was developed, targeting different categories of firms, namely: (i) firms and craftsmen involved in the construction of building and specialized construction activities (corresponding to NACE Division 41 and NACE Groups 43.1, 43.3 and 43.9); (ii) firms and craftsmen providing installation services (corresponding to NACE Group 43.2); (iii) professionals providing construction-related architectural and engineering services (included i.a. in NACE Group 71.1); and (iv) manufacturers of construction products (which belong to various groups in NACE Sections B and C).

The annex is structured as follows

1. Section 2 provides information on interviewed companies and a description of the sample and the sub-samples for the various market segments;
2. Section 3 provides information on the interviews with governments and stakeholder associations at EU and national level;
3. Section 4 provides information on the coverage of and the respondents to the surveys targeted at associations and other stakeholders active in the construction product **industry, and at architects' professional bodies.**

2 RETRIEVAL OF PRIMARY INFORMATION INTERVIEWS WITH COMPANIES

2.1 All company segments

Interviews with *firms* proved to be the most complex task in the fact-finding phase. In total, 81 interviews were carried out, and in particular 48 interviews were held with construction companies and providers of specialised construction services (of which 8 with installers) and providers of specialised construction services, and 33 with other operators, of which 16 with professionals and 17 with product manufacturers.

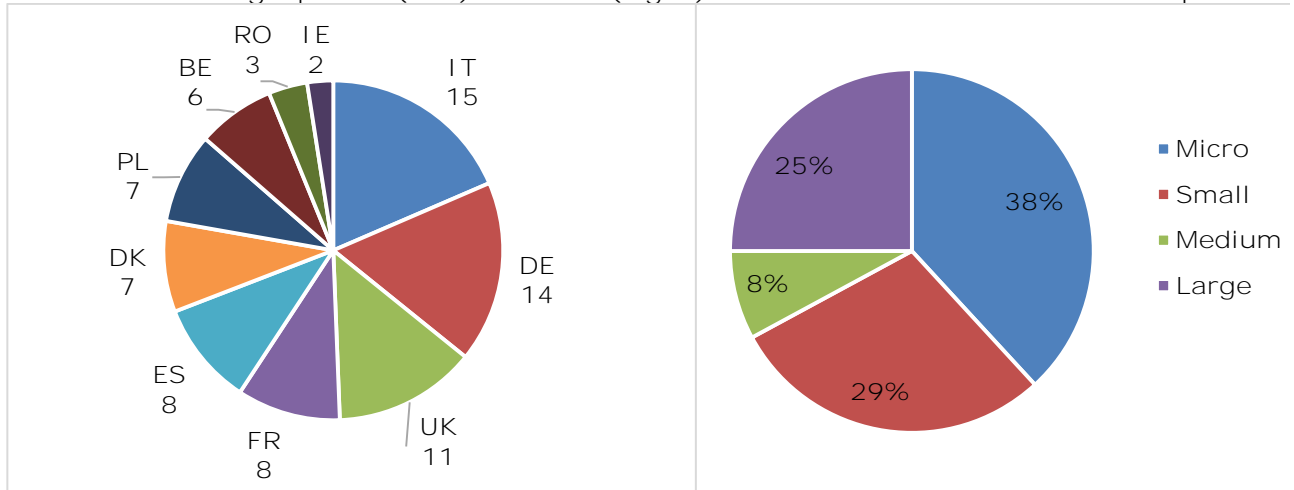
The four market segments covered – construction companies, installers, professional, and product manufacturers – are not homogeneous in terms of activities carried out, number and type of EU acts relevant to their activities, position in the value chain, and prevalent legal form. For this reason, detailed information on the composition of each sub-sample is provided separately for the various market segments in the various sub-sections here below. The

⁵⁴¹ The methodology originally envisaged 100 interviews, of which 10 with national authorities, 20 with industry associations, and 70 with firms.

information provided described: (i) information retrieved; (ii) specific activities carried out by respondents; (iii) geographical distribution; (iv) firm size; (v) turnover; (vi) market segments in which they operate; and (vii) type of customers.

For the overall sample firms, Exhibit 2.1 below presents the sample distribution in terms of geographical coverage and firm size. Geographical distribution⁵⁴² was defined on the relative importance of each MS contribution to the construction sector.⁵⁴³ As for firm size, 75% of the sample is represented by SME, including a plurality of micro companies – also accounting for independent professionals.

Exhibit 2.1 Geographical (left) and size (right) distribution of interviewed companies



Source: Authors' own elaboration. Notes: 5 companies declined to provide information on their size.

2.2 Construction companies

Forty interviews were held with firms and craftsmen involved in the construction of buildings (NACE 41) and specialized construction activities (NACE 43) with exclusion of installation activities (NACE 43.2), hereinafter 'construction companies'. They were interviewed on the following issues:

1. Basic information on the enterprise (e.g. country of establishment, activity, market segments, types of clients, turnover);
2. Simplification of administrative procedures;
3. Cross-border operations;
4. Effects of inward movements of EU operators;
5. Energy efficiency;
6. Late payments;
7. Coherence of the regulatory framework.

The 40 companies interviewed are located in 9 Member States (Belgium, Germany, Denmark, Spain France, Italy, Poland, Romania, and the UK). Activities covered include construction activities, encompassing companies specialised in construction of new buildings and or renovation, as well as building completion and finishing activities. With respect to the type of company, 33% of them are sole proprietorships, 53% are limited liability companies, 6% are public stock companies, and 6% have other legal forms.

⁵⁴² A Portuguese professional was included as he had experience in working cross-border in Spain (and is accounted among Spanish respondents).

⁵⁴³ The exact *ex ante* distribution was defined based on the share of each country in terms of value added and number of persons employed, with each variable being given equal weight (source: Eurostat Structural Business Statistics). Then, the distribution was subsequently refined to account for issue of data quality and consistency emerging from interviews with national companies and to cover specific topics which deserved additional data points (e.g. cross-border provision of professional or construction services).

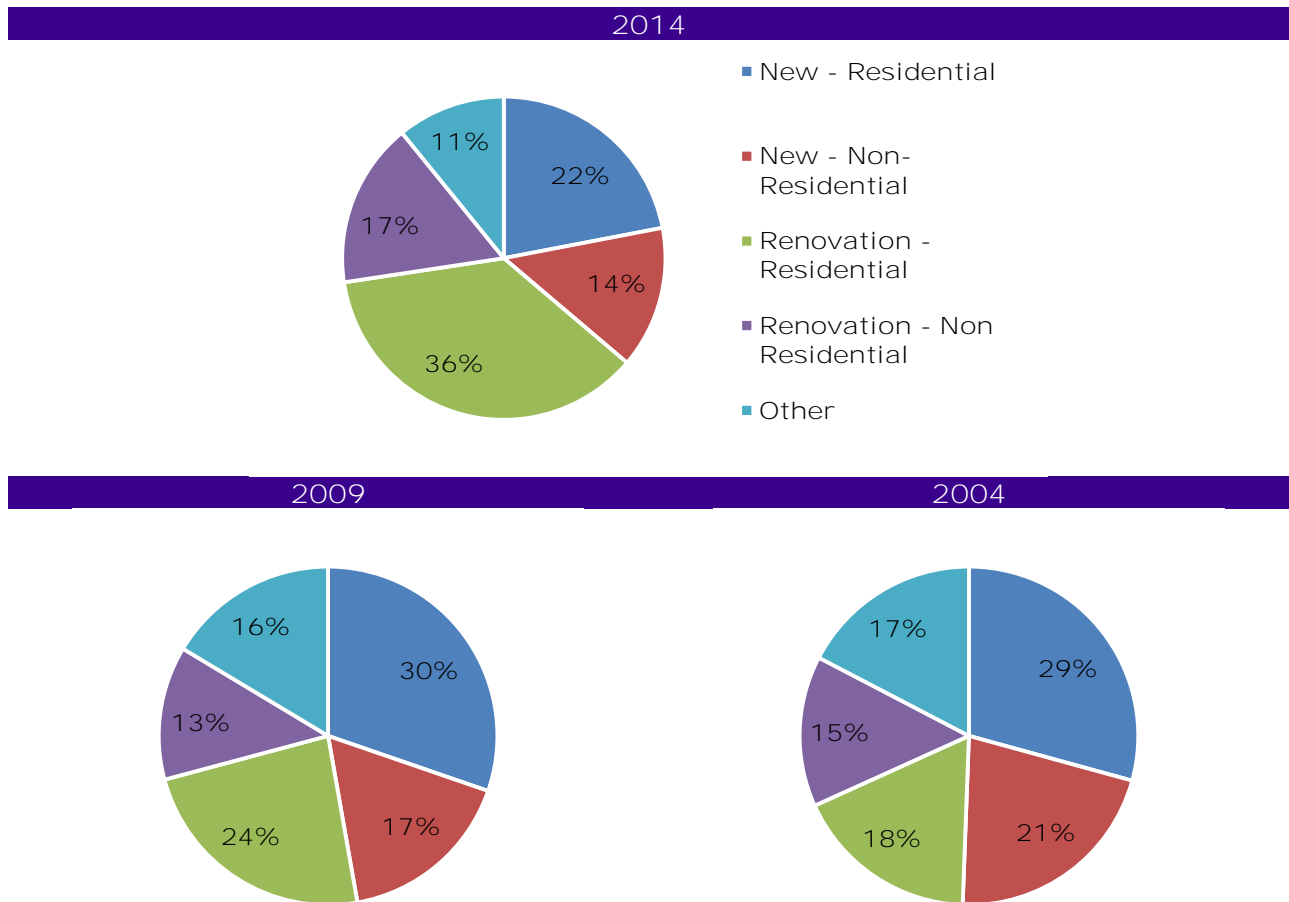
To capture the effects of Single Market integration, construction companies active cross-border were actively looked for. This resulted in interviewing 9 companies active in other EU MS, so that the sample is likely to overrepresent cross-border companies compared to the universe of construction firms. Countries of destination include France, Germany, Poland, Czech Republic, and the Netherlands. Companies operating cross-border have reported a foreign turnover **ranging from €100,000 to more than €100,000,000 (20% of the turnover for a large company).**

Concerning firm size, 31% of companies interviewed are micro enterprises with less than 10 workers, 39% are small enterprises with 10-49 workers, 6% are medium enterprises with 50-249 workers, and 25% are large companies with more than 250 workers. Two companies are very large, having more than 10,000 employees. In total, SME represent 76% of the sample. The median number of worker is 14.

Three quarters of sampled companies mostly work as main contractors, one quarter both as main and sub-contractors, and only 1 firm mainly as a sub-contractor (a micro enterprise active in the building finishing segment). As for turnover, 33 companies reported their 2014 turnover. **The median 2014 turnover is €1,200,000. With respect to past turnover data, 29 companies reported their 2009 turnover, with a median value of €920,000; and 26 companies reported their 2004 turnover, with a median value of about €1.6 mln.**

Companies' operation in the various market segments is shown in Exhibit 2.2 below. About three fifths of the sample signalled changes in the composition of turnover during the period in scope of the study, and in particular **a contraction of the 'new buildings' market segment, and an expansion of the renovation market.** As it appears clearly from Exhibit 2.2 below, new buildings represented 50% of the market in 2004, 47% in 2009, and a substantially lower 36% in 2014. To the contrary, renovation was worth one third of the market in 2004, while it represented more than 50% of the market in 2014. Renovation of residential buildings is the market segment gaining most relevance, passing from 18% of the turnover in 2004 to 36% in 2014.

Exhibit 2.2 Composition of turnover for construction companies (2014, 2009, and 2004), % values.



Source: Authors' own elaboration.

2.3 Installers

Eight interviews were held with firms and craftsmen providing installation services (NACE 43.2), hereinafter 'installers'. They were interviewed on the following issues:

1. Basic business information (e.g. country of establishment, activity, market segments, types of clients, turnover);
2. Simplification of administrative procedures;
3. Cross-border operations;
4. Effects of inward movements of EU operators;
5. Energy efficiency;
6. Accreditation and certification for inspections of building systems and installation of RES;
7. Coherence of the regulatory framework.

The 8 companies interviewed are located in 4 Member States (Italy, Poland, Spain and the UK). Activities covered include electricians, installers of heating or cooling systems, installers of RES, building maintenance services. With respect to the type of company, 2 of them are sole proprietorships, 4 are limited liability companies, and 2 have other legal forms.

To capture the effects of Single Market integration, installers active cross-border where actively looked for. This resulted in interviewing 3 installers active in other EU MS, implying that the sample overrepresents cross-border companies compared to the universe of installers

Concerning firm size, 6 companies are micro enterprises with less than 10 workers, 1 is a small

firm with 17 workers, and one preferred not to disclose the number of workers. The median number of worker is 5. As for turnover, 7 interviewees reported their 2014 turnover. The median 2014 turnover is about €500,000. With respect to past turnover data, 5 companies reported their 2009 and 2004 turnover, with a median value of about €500,000 for 2009, and of €400,000 for 2004.

Composition of turnover per market segment is shown in Exhibit 2.3 below.⁵⁴⁴ Most of the turnover is realised in the renovation market, namely 46% through renovation of residential buildings, and 14% through renovation of residential buildings. Market segments for new buildings represent one third of the turnover for the respondent. Only two installers signalled a change in composition of turnover over the period in scope of the study. In particular, one British installer reported that '*work for non-residential clients has declined, mainly because of general economic slowdown*'.

Installers were also surveyed to ascertain the share of works carried out for construction companies or for private clients. More than two thirds of 2014 turnover for sampled installers is generated by private clients, and about 50% by households, while about a quarter by construction companies. Full data are again shown in Exhibit 2.3.

Exhibit 2.3 Installers: composition of turnover (2014) – Left; type of customers (right)



Source: Authors' own elaboration.

2.4 Professionals

Sixteen interviews were held with firms and professionals active in the construction sector, hereinafter 'professionals'. They were interviewed on the following issues:

1. Basic business information (e.g. country of establishment, activity, market segments, types of clients, turnover);
2. Simplification of administrative procedures;
3. Cross-border operations and recognition of professional qualifications;
4. Effects of inward movements of EU operators;
5. Energy efficiency;
6. Late payments;
7. Coherence of the regulatory framework.

The 16 professionals interviewed are located in 5 Member States (Italy, Spain, France, Ireland, and the UK)⁵⁴⁵. Activities covered include architects (8 interviews), engineers (4 interviews), and other professions, such as building surveyor, project manager, or project consultant (4

⁵⁴⁴ Average composition is not weighted for turnover size, to avoid overrepresentation of very large companies.

⁵⁴⁵ Cf. note 542 above.

interviews). With respect to the type of company, 5 interviewees are independent professionals, 8 of them work for a limited liability company or partnership, 2 for a sole proprietorship company, and 1 has a different legal form.

To capture the effects of Single Market integration, professionals active cross-border were actively looked for. This resulted in interviewing 6 professionals which have provided services in at least another EU MS, implying that the sample is likely to overrepresent cross-border professionals.

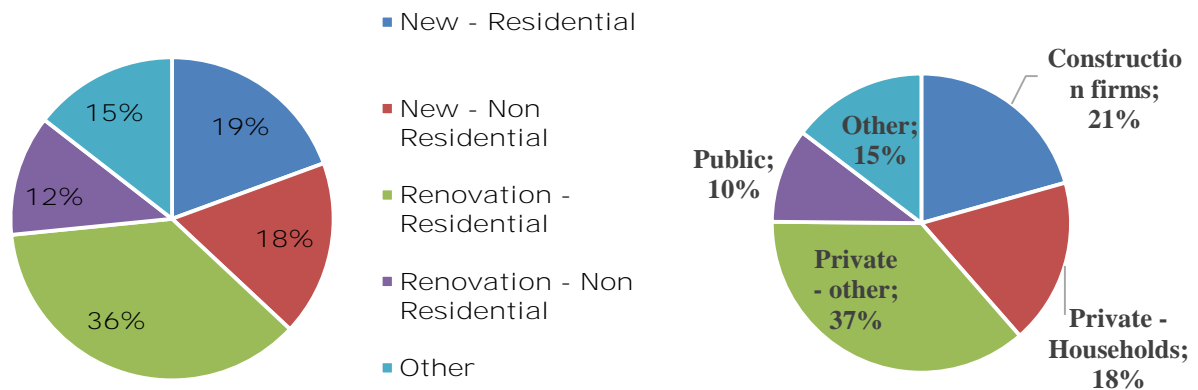
Concerning firm size, 6 interviewees are independent professionals, and 10 interviewees work for a company. More in detail, 5 companies are micro enterprises with less than 10 workers, 4 are a small firm with 10-49 workers, and one is a medium company with 65 worker. The median number of worker is 5. As for turnover, 10 interviewees reported their 2014 turnover: **the median value is €305,000, and the average turnover is €400,000. With respect to past data, 10 and 9 interviewees reported respectively their 2009 and 2004 turnover, with a median value of about €474,919 for 2009 and €200,000 for 2004.**

Composition of turnover per market segment is shown in Exhibit 2.4.⁵⁴⁶ Market for new buildings represent slightly less than 40% of the turnover for the interviewees, whereas renovation work generate almost half of the turnover. 60% of the sample signalled a change in the relative importance of the various market segments in the period 2004-2014. Various respondents underlined a *'dramatic decline in the market for new buildings, only partially compensate by the increase in renovation, so that the relative importance of the two market is now largely inversed'*. Also, certain professionals reported that other parts of the market have shrank due to the crisis, such as public works.

Professionals were also surveyed to ascertain the share of works carried out for construction companies or for private clients: the former generate about one fifth of the overall turnover, while private clients more than half. About 10% of revenues come from public customers. Full data are again shown in Exhibit 2.4.

⁵⁴⁶ Average composition is not weighted for turnover size, to avoid overrepresentation of very large companies.

Exhibit 2.4 Professionals: composition of turnover (2014, left); type of customers (right)



Source: Authors' own elaboration.

2.5 Construction Product Manufacturers

Seventeen interviews were held with manufacturers of construction products, to retrieve information on:

1. Basic information on the enterprise;
2. the impacts of CPR and CPD;
3. the impact of the energy efficiency policy area; and
4. legal coherence.

Not all interviews delivered information on all aspects. In particular, not all manufacturers subject to the CPR are also affected by energy efficiency provisions, as this depends on the type of product: for example, cement manufacturers are much less concerned by energy efficiency requirements than producers of insulation materials. At the same time, not all the interviewees being acquainted with energy efficiency provisions are also well-versed with the CPR/CPD framework. To tackle this issue, several interviews were held with different people in the same companies, or certain product categories where specifically targeted to retrieve information on the impact of energy efficiency provisions. All in all, 14 interviews included information on the CPR/CPD framework, and 10 interviews included information on the energy efficiency requirements.

The 17 interviewees are located in 8 Member States (Belgium, Germany, Denmark, France, Ireland, Italy, Poland and the UK). Sectors covered include water storage, anchors, chemical construction products, tiles, asphalt, grid systems, bituminous membranes, windows, insulation materials, sealing, glues, and cement. Most companies (12) are stock companies; the sample also include 4 limited liability companies, and one company with a different legal form.

To capture the effects of Single Market integration, the attention was focused on companies active in more than one Member State. Hence, 15 companies out of 17 export their product to at least another MS; the average number of destination MS is 15.8, and the median is 17.5. Fourteen companies provided information on the share of revenues generated by exports: in 10 cases, the share is lower than 25% of total revenues, and in 4 cases is higher.

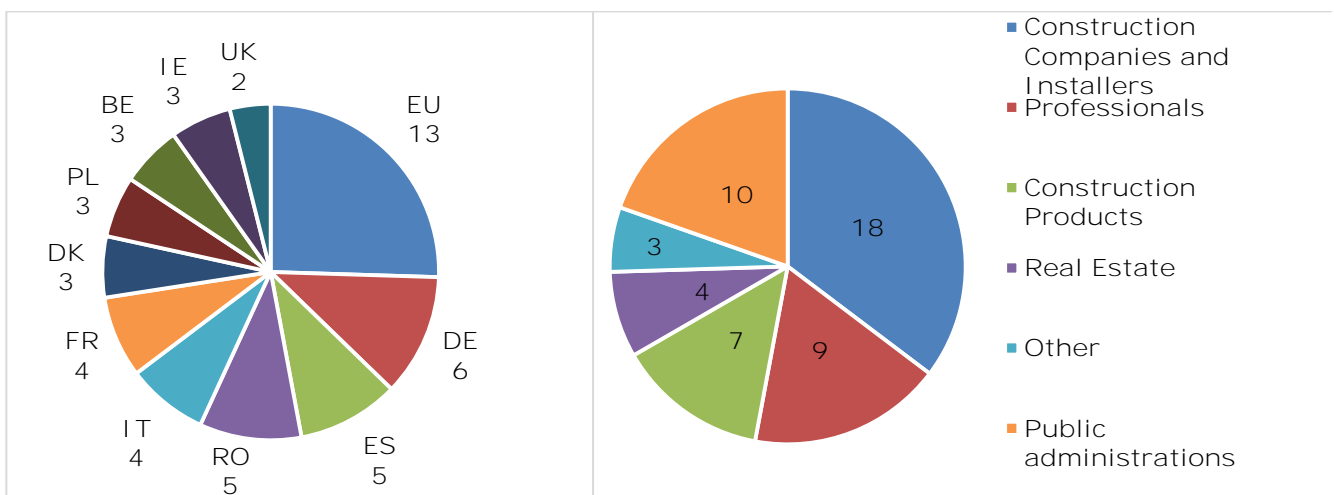
Such a focus on exporting companies had an impact on firm size, as the larger a company, the more likely it is to sell products in other countries. Among the companies interviewed, 3 are small-sized firms, 3 are medium-size firms, and 11 are large-sized firms. To compensate for such a focus, information on SME was specifically requested through the survey targeted at trade associations and other stakeholders (see below).

3 RETRIEVAL OF PRIMARY INFORMATION: INTERVIEWS WITH PUBLIC ADMINISTRATIONS AND STAKEHOLDER ASSOCIATIONS

Ten interviews were devoted to retrieving information from the *public administrations* in the 10 MS where the fact-finding phase took place. In some cases, more than one public administrations needed to be contacted, as the various pieces of legislation were not covered by a single unit or even ministry. Interviews or public meetings were held with 13 *EU stakeholder associations*. With respect to *national stakeholder associations*, interviews were held with 28 entities.

Geographical distribution of interviews with public administrations and stakeholder associations is represented in the left side of Exhibit 2.5. At MS level, the number of counterparts interviewed depended on idiosyncratic features of national organisations, e.g. whether a single association covers both construction companies and installers, or whether SME are represented by their own association; and accounts for specific research needs, e.g. a discussion of issues with cross-border insurance with German and French insurance federations. On the right side of Exhibit 2.5, the coverage in terms of sectors is shown. Interviewed stakeholder associations mainly represent construction companies and installers, but also cover professionals, product manufacturers, and real estate.

Exhibit 2.5 Geographical (left) and sectoral (right) distribution of interviewed stakeholders and public administrations



Source: Authors' own elaboration.

4 RETRIEVAL OF PRIMARY INFORMATION: OTHER SURVEYS

Two additional surveys were carried out to respond to specific needs arising during the Assignment: (i) an online survey of construction product stakeholders; and (ii) an email survey of **architects' professional bodies**.

An *online survey of construction product stakeholders* was set up and disseminated in cooperation with Construction Products Europe. The survey had a two-fold aims: (i) validating information retrieved from companies; (ii) gathering data and information on niche issues (e.g. CPR derogations for SME) on which sampled companies had not any practical experience. 32 respondents participated in the survey: 4 companies, 19 stakeholder associations, 9 of which active at EU level and 10 at national level, 4 other entities (e.g. standardisation bodies, research institutes), and 5 anonymous contributors. Respondents originated from 10 EU MS and Norway.

Stakeholders were surveyed about various themes concerning the CPR and the energy efficiency framework. Results are as follows:

1. BAU factor of the DOP and CE Marking. 14% of respondents considered that DOP and CE marking do not have any commercial value, 43% considered their commercial value as limited, 26% as moderate, and 17% as high.
2. One-off costs related to the introduction of the CPR. 72% of respondents reported that companies incurred in one-off costs linked to the new framework.
3. Use of eDOP. More than 70% of respondents reported that eDOP is largely used by product manufacturers, and that it is largely accepted by customers.
4. Art. 5 derogations. Through the survey, stakeholders were first asked whether these derogations apply to companies in their sector, and 36% of respondents replied that this was not the case. Among the 16 respondents for which art. 5 derogations were relevant, most of them (63%) replied that they knew of no cases in which these derogations were resorted to; 5 respondents mentioned that this derogation is used for products manufactured on the construction site; and only 1 for traditionally-manufactured products.
5. Impact of energy efficiency legislation. Construction product stakeholders were surveyed about their assessment of and the impacts originating from both EE requirements for construction products, systems and buildings, and EE support measures undertaken at national level. Full results are presented above in Annex II, Section 7.4.

An **email survey of architects' professional bodies** was set up and disseminated in cooperation with the Architects' Council of Europe. 10 professional bodies from 10 MS participated in the survey. The survey aimed at collecting data on costs and documents necessary to undergo the recognition procedures. Results for various recognition regimes are as follows:

1. Automatic system. On average, professional bodies require 3.6 documents per application (median value: 3). Of these, on average 1 document shall be presented in original, and 1.5 documents shall be translated by the applicant (in most cases, a certified or sworn translation is required). The complexity of the documents may vary, from a **copy of the applicant's ID, to a certified translation of university degrees or the proof of professional qualifications in the home MS. Fees amount on average to €103 (median value: €133), and the average lead time is estimated to be about 36 days**
2. General system. On average, professional bodies require 4.1 documents per application (median value: 5). Of these, on average 1 document shall be presented in original, and 1.8 documents shall be translated by the applicant (in most cases, a certified or sworn translation is required). The complexity of the documents may vary, from a **copy of the applicant's ID, to a certified translation of university degrees or the proof of professional qualifications in the home MS. Fees amount on average to €103 (median value: €133), and the average lead time is estimated to be about 45 days;**
3. Temporary mobility. On average, professional bodies require 3.7 documents per application (median value: 4). Of these, on average 1 document shall be presented in original, and 1.7 documents shall be translated by the applicant (in most cases, a certified or sworn translation is required). The type of documents is similar to those required for **the establishment regimes. Fees amount on average to €20 (median value: €0).**

Annex VI

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Annex VII

Analysis of findings from the open public consultation

1 INTRODUCTION AND APPROACH

1.1 The fitness check and the Open Public Consultation

As required by the Better Regulation Toolbox, the European Commission launched an Open Public Consultation (OPC) to gather the views and opinions of interested stakeholders and the public at large on the impact of selected pieces of EU legislation on the construction sector⁵⁴⁷. The findings of the OPC have been used to support and validate the analysis in the Final Report of this Study, which will, in turn, feed into the Fitness Check for the Construction Sector undertaken by the Commission.

The public consultation involved a broad internet-based exercise designed to capture the views of a wide range of EU stakeholders, **as part of the European Commission's open governance policy**.

The purpose of this report is to present a brief overview of the methodology used, together with a detailed summary of the answers gathered by the OPC.

1.2 A single Open Public Consultation for the two studies

The OPC was publicly available for 12 weeks, from 29 March 2016 until 20 June 2016. It covered both the current Study, and the parallel study on health and safety and environmental policies.

The Consultation focused on the 15 EU legislative texts selected by the two studies in the policy fields of Internal Market, Energy Efficiency, Environment and Health & Safety and, more specifically, on those provisions within these EU texts that may impact the construction sector.

This report only deals with the OPC questions in the current Study that relate to the nine pieces of legislation relevant to the areas of Internal Market and Energy Efficiency.

1.3 Reaching a large audience and gathering the most relevant information

It was vital that members of the public be given an opportunity to provide their views on whether **the EU legislation remains 'fit for purpose' and to comment on the main research questions of the Fitness Check**. However, the EU legislation on Internal Market and Energy Efficiency consists of several complex Directives and Regulations. While the consultation process should be as open as possible, the Fitness Check itself necessarily goes into a very high level of detail.

In order to reach the widest possible audience and gather the most relevant information from various stakeholders, two tools were used:

- Tool 1: three questionnaires were devised for three types of respondents – professionals, public authorities and citizens.
- Tool 2: respondents could easily opt-out of having to answer questions on a specific instrument or issue if they felt their answer would not be relevant. This option was presented after explanations had been provided on the theme and piece of legislation.

More information on these two tools are presented in the sections below.

⁵⁴⁷ European Commission, Better Regulation Guidelines, SWD(2015)111, 19.5.2015; European Commission, Better Regulation Toolbox, annexed to the European Commission, Better Regulation Guidelines, SWD(2015)110, 19.5.2015.

1.3.1 Three different questionnaires: citizens, professionals, public authorities

In order to gather the most relevant information from various types of stakeholders, three sets of questions were devised to correspond to the following three categories of respondents:

- **A questionnaire directed towards citizens (Citizens' Questionnaire).**
- A questionnaire directed towards professionals in the construction sector (e.g. employees, independents, entrepreneurs) and those respondents answering on behalf of **an organisation/institution/company (Professionals' Questionnaire).**
- **A questionnaire directed towards public authorities (Authorities' Questionnaire).**

While this report outlines the **stakeholders' answers, it should be borne in mind** before reading the detailed summary of the responses that small sentencing differences between the questionnaires exists. In addition, some questions were only asked to certain respondents, **especially as concerns the questionnaires' first section that gathered** information on the respondents. Finally, the **Professionals' Questionnaire** included a few additional questions that were not asked to other respondents, in which case it is indicated throughout the Annex.

1.3.2 The three blocks of legislation, subsections of the OPC relating to the Internal Market and Energy Efficiency

The part of the OPC covered by the current Study begins with an introductory section followed by four sections, three asking questions about a group of EU legal acts in the areas of Internal Market and Energy Efficiency, with a fourth addressing all EU legal acts considered. The approach taken in the coherence section of the current Study – dividing the identified EU legal acts into three groups – was also followed in the OPC.

The first section concentrates on EU legislation on the provision of services in the construction sector. It explores the implications on the construction sector of the following Directives: the Professional Qualifications Directive (PQD), the Services Directive (SD) and the Late Payments Directive (LPD) in three subsections:

- The first subsection tackles the issue of simplification of administrative procedures;
- The second subsection focuses on cross-border operations; and
- The third subsection offers respondents the possibility to comment on late payments.

The second section concentrates on three pieces of energy efficiency legislation that impact the construction sector – the Energy Efficiency Directive (EED), the Energy Performance of Buildings Directive (EPBD) and the Renewable Energy Sources Directive (RES Directive). This section is divided into two subsections:

- A first subsection on heating and air-conditioning systems, in particular the inspection and installation of these systems and the accreditation of inspection and installation experts; and
- A second subsection dealing with the improvement and strengthening of energy efficiency through public procurement.

A third section is dedicated to EU legislation establishing product or labelling requirements for construction products, i.e. the Construction Products Regulation (EU) 305/2011 (CPR), the Ecodesign Directive 2009/125/EC (EDD) and the Energy Labelling Directive 2010/30/EU (ELD). A single subsection addresses issues linked to entry into the market, namely CE marking and Declaration of Performance (DOP) of construction products.

Finally, a fourth section tackles the more complex issue of coherence between the different pieces of legislation and seeks to further identify sources of impact – positive or negative – between either the various pieces of EU legislation themselves or between EU legislation and its implementation at national level.

2 RESPONSES TO THE PUBLIC CONSULTATION

2.1 Overview of responses

2.1.1 Number of respondents

Fifty-five respondents answered the survey and are covered by the following analysis.

In practice, 53 stakeholders answered the survey while the OPC was publicly available, i.e. from **29 March 2016 until 20 June 2016**. These included **34 respondents to the Professionals' Questionnaire, 14 to the Authorities' Questionnaire, and five to the Citizens Questionnaire**.

Some stakeholders indicated that they would provide answers shortly after the deadline, which the Commission accepted from three professional bodies and one public authority. Two of these late answers were not subsequently included in the analysis of the OPC, as they consisted exclusively of written statements instead of answering the survey questions. **These answers were considered, where appropriate, within the Study's final report.**

During the analysis, one respondent to the Authorities' Questionnaire was re-categorised as a professional body and considered among the professional respondents. The analysis assumes that this respondent chose not to answer those questions only asked within the Professionals' Questionnaire.

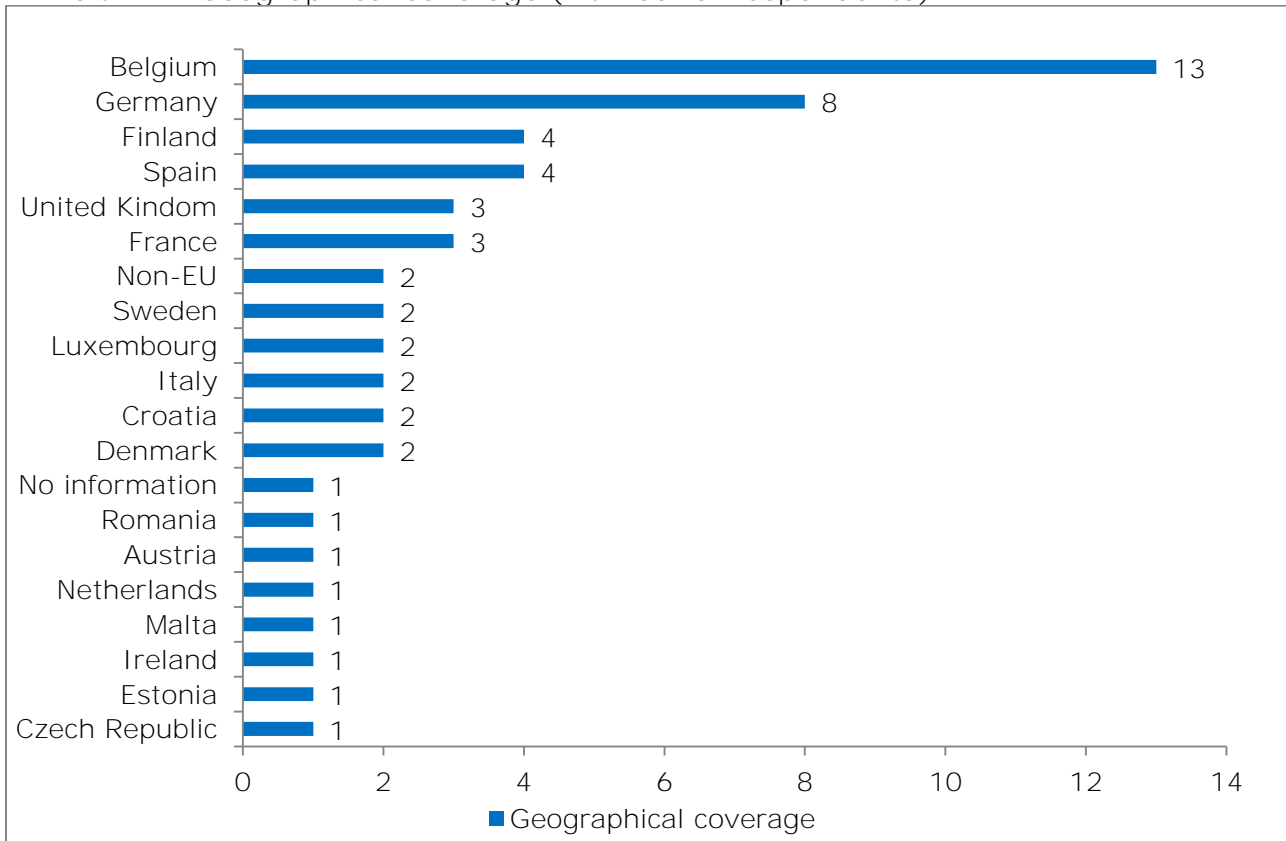
The total of respondents was therefore 55, including 37 respondents to **the Professionals' Questionnaire, 13 respondents to the Authorities' Questionnaire and five respondents to the Citizens' Questionnaire.**

2.1.2 Responses to section i of the questionnaires

Geographical coverage

The 55 respondents covered 18 EU Member States and two reported as non-European countries (Norway and Switzerland). Exhibit 2.1 gives an overview of the data recorded by country.

Exhibit 2.1 Geographical coverage (Number of respondents)



Note: One respondent did not provide information about the country.

Belgium was the Member State most frequently cited, with 13 of respondents out of 55 stating it as their main place of residence (including 8 European business federations). Germany followed with 8 respondents, with Finland and Spain each mentioned by four respondents. The UK and France were cited by three apiece, and Sweden, Luxembourg, Italy, Croatia and Denmark by two respondents each.

Breakdown of the three questionnaires

A majority of respondents were professionals (37 of 55), followed by 13 public authorities and five citizens. Most of the professionals and public authorities reported that their organisations were involved with the construction sector

Principal field of activity of professionals

Of the latter category, eight professionals indicated that their companies specialised in building activities, seven in manufacturing, imports and distribution of construction materials, five in architecture, and two in real estate activity. Six respondents did not provide precise information about the field of activity (category: other).

Exhibit 2.2 Principal field of activity of professionals (Number of respondents)

Field of activity	Respondents
<i>a. Manufacturing/import/distribution of construction materials or construction products (NACE Rev.2, sections B and C) Total</i>	7
<i>b. Building construction activities (NACE Rev.2, code F41) Total</i>	8
<i>g. Architecture and/or engineering (NACE Rev.2, code M71) Total</i>	5
<i>h. Technical testing and analysis (such as auditors, certifiers) (NACE Rev.2, code M71) Total</i>	1
<i>i. Real estate activities (NACE Rev.2, code L) Total</i>	2
<i>j. Other Total</i>	6
<i>Total</i>	29

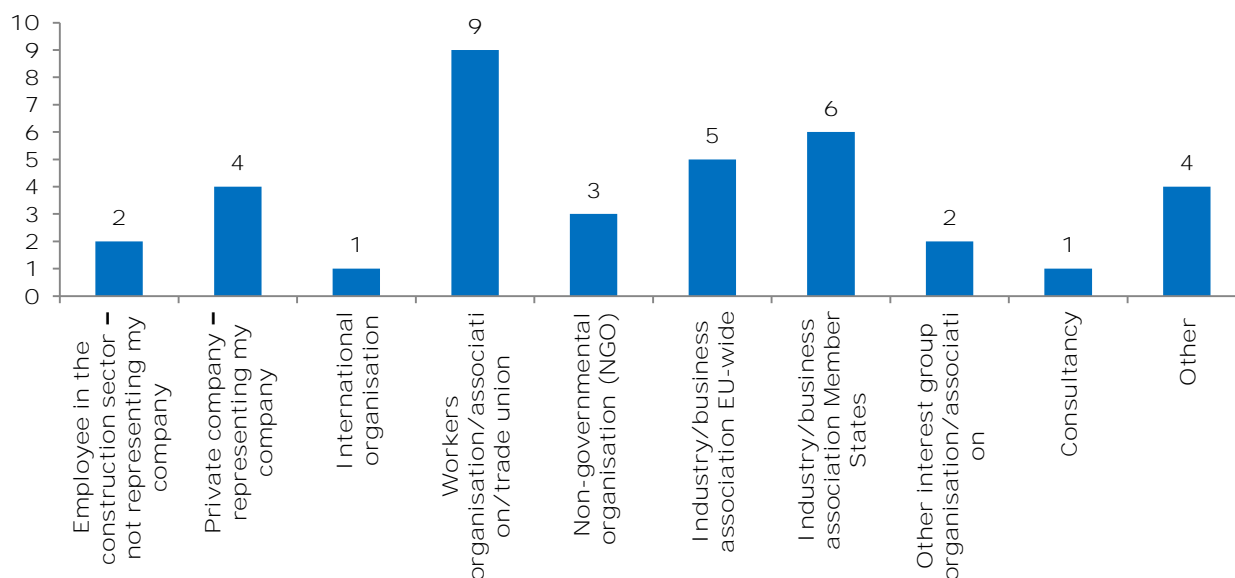
Professionals' market segments

A total of 22 respondents provided information about the market segment of their companies:

- Eight involved in construction of new buildings;
- Four in maintenance and renovation of existing buildings (residential); and
- Two in construction of new buildings (non-residential) and in maintenance and renovation and non-residential buildings.

Classification of respondents to the Professionals' Questionnaire

Exhibit 2.3 Type of organization represented by professionals (Number of respondents)



Most of the professionals (20 of 37) classified their company either as an industry / business association or as an organization/association and trade union (see Exhibit 2.3). Seven professionals provided precise information about the size of their company as a micro-enterprise (two), a small enterprise (two), a medium enterprise (one), or a large enterprise (two).

2.2 Indicative familiarity of the respondents with the pieces of EU legislation covered

One question in the coherence section asked respondents about their perceived degree of familiarity with the nine pieces of EU legislation covered by the study. Respondents could answer: very familiar, somewhat familiar, or not familiar to each EU instrument.

Responses - Statistical methodology

Respondents who did not provide an answer were considered 'not familiar' for the purposes of the analysis.

Overview of responses

As shown in Exhibit 2.4 below, the majority of respondents (46% representing 228 answers out of 495 over the nine EU legislation considered) indicated that they were not familiar with the instruments included. More than one-third of respondents, however, stated that they were very familiar with the different instruments, with a further 95 respondents somewhat familiar. Overall, therefore, 54% of the respondents (297 answers out of 495) claimed to have some familiarity with the nine pieces of legislation under analysis.

Thirty-three respondents answered that they had no familiarity with the LPD, making this piece of legislation the least well-known among the different instruments covered. This covered a wide variety of respondents from the Professionals' Questionnaire, including freelancer, former professionals, micro-enterprise, as well as national and EU business federations and professional bodies. The CPR and the EED appear to be the instruments that stakeholders were most familiar with, with 36 respondents each. Concerning respondents to the Professionals' Questionnaire on the CPR, only one micro-enterprise acknowledged some familiarity, the rest of respondents being either national or EU business federations and professional bodies. The situation is similar in the case of the EED, albeit with more national smaller sized companies. In both the CPR and the EED, the background of these companies is however wide and not exclusive to the construction products industry or professionals from the energy sector, encompassing e.g. architects, engineers, producer of construction materials, and construction firms. Thirty respondents stated that they were very familiar with the CPR, making it the most well-known among the different instruments covered.

Exhibit 2.4 Indicative familiarity of the respondents with the pieces of EU legislation covered (Number of respondents)

	Very familiar	Somewhat familiar	Not familiar
<i>Construction Product Regulation</i>	30	6	19
<i>Professional Qualifications Directive</i>	16	11	28
<i>Services Directive</i>	16	12	27
<i>Late Payments Directive</i>	14	8	33
<i>Energy Efficiency Directive</i>	25	11	19
<i>Energy Performance of Buildings Directive</i>	27	7	21
<i>Ecodesign Directive</i>	14	15	26
<i>Energy Labelling Directive</i>	17	12	26
<i>Renewable Energy Sources Directive</i>	13	13	29

Block of legislation providing requirements for construction products

In the case of the block of legislation providing requirements for construction products, either as product requirements or as labelling requirements, respondents indicated that they were, on average, slightly more knowledgeable across the nine pieces of legislation. However, the answers on the EDD and the ELD were very balanced.

Exhibit 2.5 Indicative familiarity with the block of legislation providing requirements for construction products (Number of respondents)

	Very familiar	Somewhat familiar	Not familiar
<i>Construction Product Regulation</i>	30	6	19
<i>Ecodesign Directive</i>	14	15	26
<i>Energy Labelling Directive</i>	17	12	26

Block of energy efficiency legislation

In the case of the block of energy efficiency legislation applicable to the construction sector, respondents indicated that they were slightly more knowledgeable, on average, across the nine pieces of legislation. 42% of respondents stated that they were very familiar with the three acts, making this block the most well-known of the three.

Exhibit 2.6 Indicative familiarity with the block of energy efficiency legislation applicable to the construction sector (Number of respondents)

	Very familiar	Somewhat familiar	Not familiar
<i>Energy Efficiency Directive</i>	25	11	19
<i>Energy Performance of Buildings Directive</i>	27	7	21
<i>Energy Labelling Directive</i>	17	12	26

Block of legislation applicable to the provision of services

In the case of the block of legislation applicable to the provision of services in the construction sector, respondents indicated that they were not familiar with the legislation in more than half of cases, making this block the least well-known of the three.

Exhibit 2.7 Indicative familiarity with the block of legislation applicable to the provision of services in the construction sector (Number of respondents)

	Very familiar	Somewhat familiar	Not familiar
<i>Late Payments Directive</i>	14	8	33
<i>Professional Qualifications Directive</i>	16	11	28
<i>Services Directive</i>	16	12	27

2.3 Overall summary of responses

Few respondents had been actively involved in permitting procedures, and the results do not give a view on whether procedures have grown more or less complex. Permits for new buildings and for use permits (e.g. a permit necessary upon completion of construction works)⁵⁴⁸ were particularly subject to mixed impressions, with an equal number of respondents finding these procedures either simplified or more complex.

On cross-border issues, three of the respondents were enterprises, including two large companies and one micro-enterprise. Overall, respondents found that procedures for the recognition of qualifications and provisions of services in cross-border situations had been simplified. However, taken together, a larger number stated that these procedures had not changed, or had become more complex. A large majority of the respondents here were from countries which share borders, in particular Belgium, France, Germany, and Luxembourg. A large majority also indicated that they felt an increased presence of companies from other Member States in their home markets.

Overall, respondents found that timing for payments had decreased.

Respondents were asked whether the changes experienced in cross-border working had an effect such as stimulating favourable investment, facilitating free circulation of products, or facilitating establishment. While a large number of respondents gave no answer, almost one-third responded positively, indicating that, on the matter of cross-border operations related to the activity of construction businesses and professionals, the EU legislation may be achieving its aims.

Asked whether inspection/installation of energy-related systems is carried out by visibly qualified and/or accredited experts, over half of the respondents replied in the affirmative, with a majority believing that a list of such experts was publicly available, even if they are not used by the public. A majority of respondents indicated that inspection, provision of advice, or installation of renewable energy sources had become more frequent. However, one-third of respondents found these services unchanged.

Respondents were asked whether the changes they had observed in relation to energy efficiency had effects such as improving the energy performance of construction products or efficiency of buildings, or stimulating the construction or renovation of buildings. A majority of respondents – often a significant majority – answered positively. The stimulation of construction of new buildings is the only issue about which the majority of respondents felt negatively.

Asked whether they had noticed an increased use of energy efficiency criteria in the public tenders of the central, local and regional governments, almost half of the respondents answered 'yes' at all three levels of governance.

Twenty-seven respondents out of 37 of respondents felt that the information provided through the DOP and CE marking is important for successful functioning of the internal market. A majority of respondents answered that the DOP and CE marking procedures for construction products had not been changed according to policies in energy efficiency in buildings, environmental protection, public health and safety, and health and safety at work. However, 22 out of 37 respondents felt that the ecodesign framework appreciably affects the credibility of the CE marking of construction products.

⁵⁴⁸ Use permits include all procedures and checks that are carried out on a completed (or close to completion) building and/or in case of other completed (or close to completion) construction works, so that the building or other construction work can be deemed legally completed and/or can be used for residential and non-residential purposes.

3 SUMMARY OF RESPONSES TO SECTION II ON THE INTERNAL MARKET AND ENERGY EFFICIENCY

3.1 Questions on EU legislation related to the activity of construction businesses and professionals

3.1.1. Simplification of administrative procedures (Section II.1.a. of the OPC)

3.1.1.1 Respondents' involvement in procedures for a permit for construction works and/or the provision of services related to construction works in the period 2004-2014

Wording and differences among the three questionnaires

The **Professionals' Questionnaire** and **Citizens' Questionnaire** both asked if the respondents had sought a permit for construction works and/or the provision of services related to construction works in the period 2004-2014. The **Authorities' Questionnaire** asked whether the respondents had granted such a permit or provision of services.

The answers proposed followed the same distinction: a) whether the respondent had sought or granted one or more permits for construction works and/or the provision of services related to the construction works, b) whether the respondent had acted as a representative in the permit process, or c) no.

Responses

Exhibit 3.1 **Respondents' involvement in procedures for a permit for construction works and/or the provision of services related to construction works in the period 2004-2014** (Number of respondents)

	Professionals	Public authorities	Citizens	Total
<i>Had sought or granted one or more permits for construction works and/or the provision of services related to the construction works</i>	5	3	1	9
<i>Had acted as a representative in the permit process</i>	2	1	1	4
<i>No</i>	29	9	3	41
<i>No information</i>	1	0	0	1
<i>Total</i>	37	13	5	55

Overall, 13 respondents were involved in the permitting or provision of services, seven of whom were professionals.

The majority of respondents to all three questionnaires answered negatively.

3.1.1.2 Perceived changes in administrative procedures and factors for this change

The respondents were asked if they had noted any changes to four procedures, namely permitting for new construction or renovation works and for operation or use. They could choose between more complexity, no change, simplification and no opinion. If changes had been observed, the respondents were then asked whether the changes involved modifications to the duration of the processes, requirements applicable to the processes, cost of the processes, or, again, they could give no opinion.

A total of 17 respondents out of 55 chose to answer these questions (ten professionals, four public authorities and three citizens). The rest of respondents chose to opt-out of answering.

Box 3.1 below shows the question from the Professionals' Questionnaire for illustrative purposes.

Box 3.1: Professionals' Questionnaire - Perceived changes in administrative procedures and factors for this change (Q12/14P)

	More complexity	No change	Simplification	No opinion
Obtaining a building permit for new construction	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Obtaining a building permit for renovation work	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Obtaining an operational permit (e.g. permit for scaffolding) required during construction works	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Obtaining a use permit (e.g. a permit necessary upon completion of construction works)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

13. If the changes concerned obtaining a building permit for new construction - Do the above perceived changes relate to the duration of the process, the requirements to submit the permit request (e.g. online submission) and/or the cost related to the building permit ?

- Duration
- Requirements
- Cost
- No opinion

14. If the changes concerned obtaining a building permit for renovation works - Do the above perceived changes relate to the duration of the process, the requirements to submit the permit request (e.g. online submission) and/or the cost related to the building permit ?

- Duration
- Requirements
- Cost
- No opinion

Responses

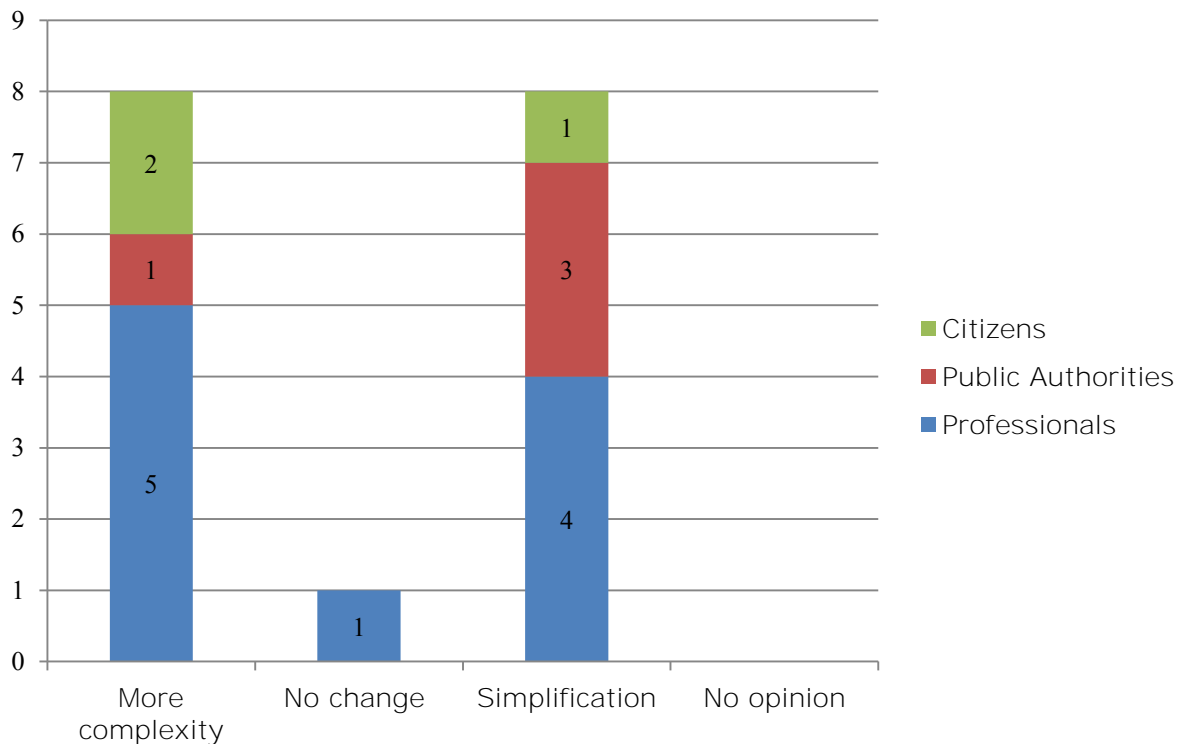
Overview of the four procedures

Overall, respondents described procedures as more complex 23 times and simpler 23 times, while 12 respondents noted no changes and seven gave no opinion. These results do not, therefore, allow a view on whether procedures have grown more or less complex.

The permits for new buildings and for use permits (e.g. a permit necessary upon completion of construction works) were particularly subject to mixed impressions with an equal number of respondents finding these procedures either more complex or more simple.

Permit for new building

Exhibit 3.2 Permit for new building (Number of respondents)



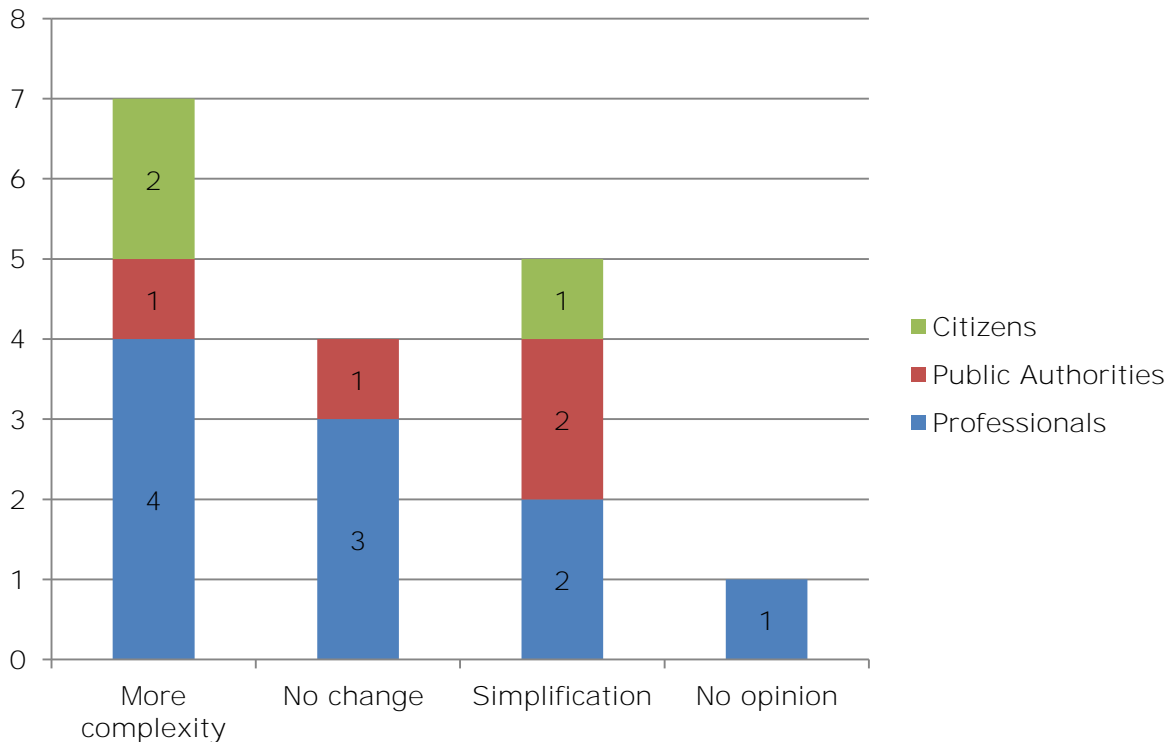
In the case of the permitting procedure for new buildings, 5 **respondents to the Professionals’** Questionnaire found that processes had become more complex. This included three national business federations from northern Europe and architects from countries in the Mediterranean basin. It cannot, however, be taken as clear-cut, as one architect (also from the Mediterranean basin), one large company (based in a similar Member State to one of the national business federations), one national professional body representing engineers, and another significant business federation all reported that the permitting procedure for new buildings had been simplified. Duration and requirements were the factors most frequently cited as responsible for either the increased complexity or simplification of permitting processes. One professional body noted no change in procedures, nor did it express an opinion on the reason for this.

This mixed perception is in contrast to the views of public authorities, who out of a total of 4 respondents, 3 found that the permitting processes for new buildings had been simplified. Two of these authorities are Ministries based in Member States that acceded to the EU after 2005, while the third is a grouping of municipalities. All three cited duration and requirements as reasons for this simplification. The public authority that indicated increased complexity in permitting requirements is a national Ministry.

Two citizens stated that the procedures had grown more complex, with one individual noting some simplification.

Permit for renovation works

Exhibit 3.3 Permit for renovation works (Number of respondents)



In the case of permitting renovation works, seven respondents stated that the procedures had become more complex, five believed that they had been simplified, four that they had not changed, and one expressed no opinion.

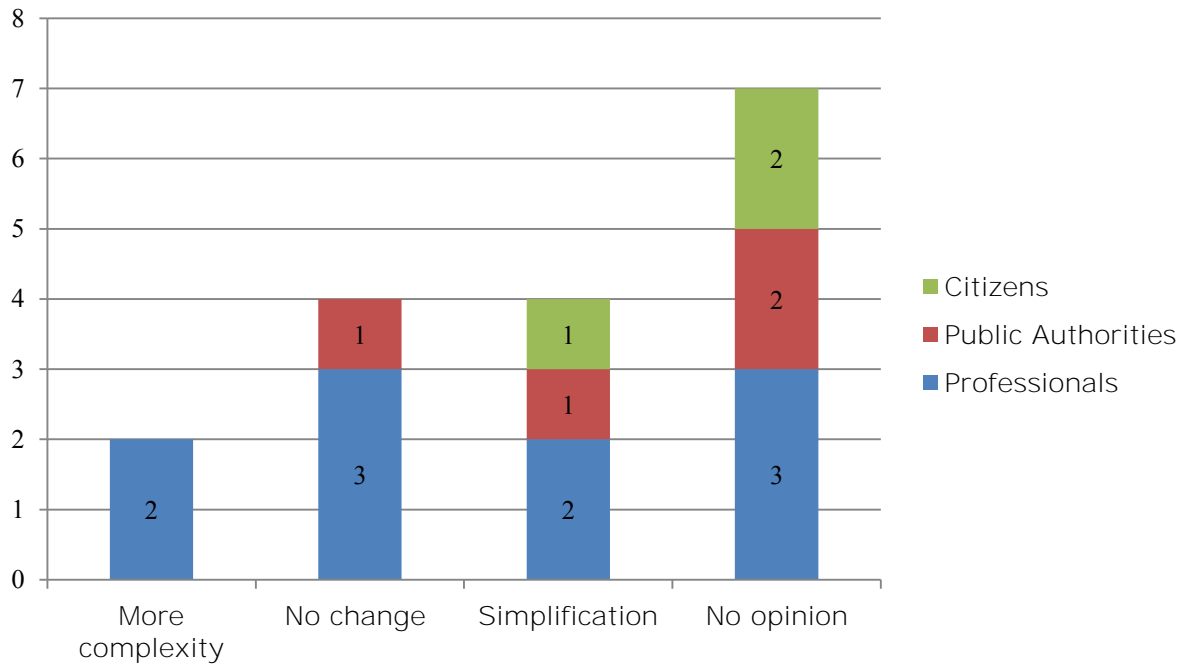
Among the respondents to the Professionals' Questionnaire, the majority found procedures to be more complex, including a business federation whose main business area is renovation. These four respondents systematically cited the requirements applicable to processes as a factor in the increased complexity. Both respondents who noted simplification, by contrast, cited duration. Three respondents found that no changes had occurred, including two national professional bodies and a business federation.

Two public authorities, including a national Ministry and a grouping of municipalities, believed that procedures had been simplified, indicating both requirements and duration as factors. One national Ministry, by contrast, found that processes had become more complex due to requirements, while another Ministry found that processes had not changed.

Two citizens indicated that the procedures had grown more complex, while one individual had perceived some simplification.

Operational permit

Exhibit 3.4 Operational permit (Number of respondents)

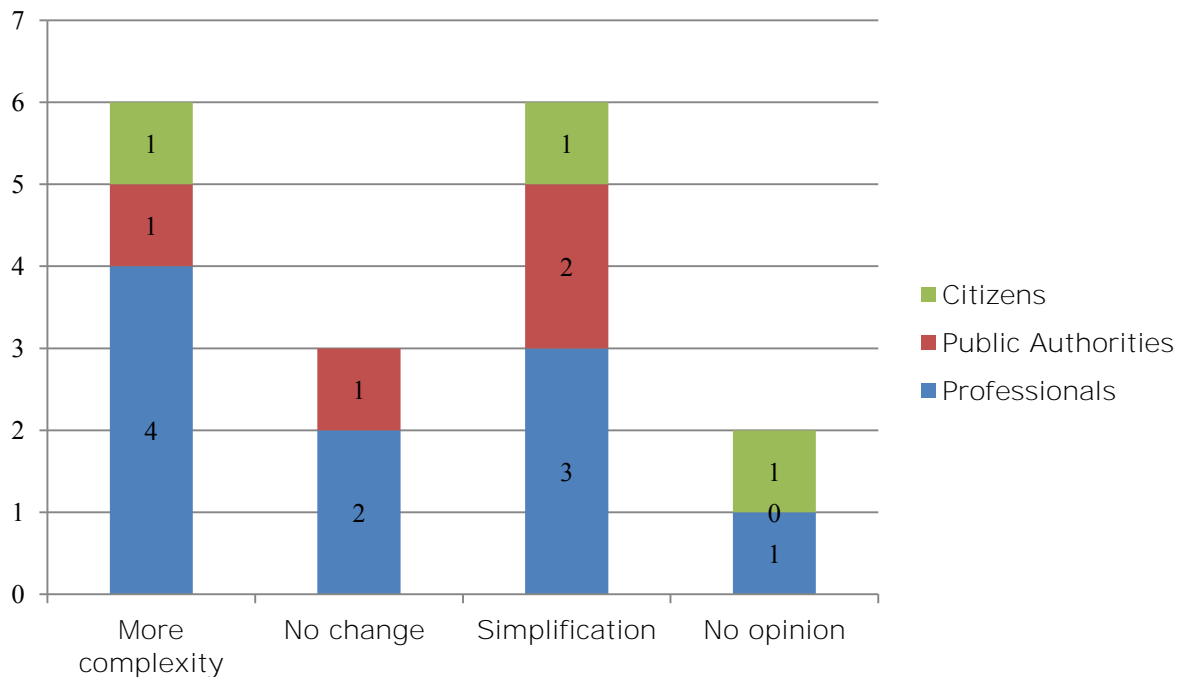


With respect to operational permits (for instance a permit for scaffolding), only two respondents **to the Professionals’ Questionnaire highlighted increased complexity, namely an architect’s micro-enterprise** that identified duration and requirements as the factors in the increased complexity, and an international business federation that identified no specific factors. **On the other hand, one Member State’s national body of architects and two national business federations** noticed no change, while another **architect’s micro-enterprise, together with a national professional body**, stated that these processes had been simplified. Only the latter identified factors for change as duration and cost.

One respondent to the Authorities’ Questionnaire (a grouping of municipalities) found the processes had been simplified, identifying duration and requirements as the change factors. One national Ministry noticed no change, yet cited process requirements as a factor. No citizens expressed an opinion on operational permits.

Use permit (e.g. a permit necessary upon completion of construction works)

Exhibit 3.5 Use permit (Number of respondents)



Finally, in relation to use permits (e.g. a permit necessary upon completion of construction works), of the six respondents who stated that the processes were more complex, four responses **came from the Professionals' Questionnaire** (one architect's micro-enterprise, two national business federations, and one international business federation). They all identified duration and requirements, with two also indicated cost. One citizen found that duration and requirements had made the processes more complex, and one public body indicated that requirements had complicated the permitting process for use permits.

A national body of architects, a large company, and a Member State's Ministry did not, however, notice any changes in procedures.

One architect's micro-enterprise, one business federation from the same country, and a national professional body all felt the processes had been simplified, with the former identifying duration, and the latter duration and cost as the main factors in this change. A grouping of municipalities and a Ministry both stated that the processes had been simplified, for reasons of duration and requirements.

One citizen indicated that the procedures had grown more complex, one indicated simplification, and one gave no opinion.

3.1.2 Cross-border operations (Section II.1.b. of the OPC)

3.1.2.1 Professional respondents and carrying out cross-border activities in the EU.

Only the Professionals' Questionnaire addressed if, and where, the respondents had carried out cross-border activities in the EU.

Responses

Twelve respondents answered positively, indicating that they, or their organisation, had carried out cross-border activities in the EU. Of these 12, three respondents indicated that the business in question was a micro enterprise, with two others being categorised as large. Also of these twelve respondents, four were chiefly based in Germany, three in Belgium, and one each in Spain, the UK, Denmark, Luxembourg and France.

Twenty-three respondents answered in the negative, with seven from Belgium, and two each from Spain, Italy, Germany, Finland and France. The remaining five respondents who had not undertaken cross-border activities in the EU-28 were evenly shared among the UK, Austria, Ireland, Luxembourg and Sweden. One respondent declined to answer this question.

Of the 12 respondents who had undertaken cross-border activities, all but one listed the Member States in which those activities took place. Responses ranged from a single Member State to the whole EU, with an average of 11 Member States per respondent. Belgium was the Member State most frequently cited as a destination for cross-border activities, with eight respondents listing it. France followed with seven, while Italy and Germany were cited by six respondents. The Netherlands, Luxembourg, Spain and Denmark were each listed by five respondents, while a total of four respondents answered that they had performed cross-border activities in the UK, Portugal, Poland and the Czech Republic. Three respondents stated that they had carried out cross-border activities in each of the EU-28 Member States.

3.1.2.2 Perceived changes relating to the recognition of professional qualifications, freedom to provide services and freedom of establishment

The three questionnaires contained the same wording, with each asking respondents if they had noted or perceived any changes (more complexity, no changes, simplification, no opinion) in three procedures in the past years. These procedures related to:

1. The recognition of qualifications of professionals qualified in other EU Member States.
2. The authorisation to perform an activity in the construction sector in another EU Member States on a temporary basis (freedom to provide services).
3. The authorisation to perform an activity in the construction sector in another EU Member State on a permanent basis (freedom of establishment).

Box 3.2 below illustrates these questions from the **Professionals' Questionnaire**.

Box 3.2 Professionals' Questionnaire - relating to the recognition of professional qualifications, freedom to provide services and freedom of establishment (Q20/21P)

20. If you have chosen to reply to questions on the recognition of professional qualifications - Have you noted or perceived any changes of these procedures in the past years?

	More complexity	No change	Simplification	No opinion
Obtaining the recognition of qualifications of professionals qualified in other EU Member States	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Obtaining the authorisation to perform an activity in the construction sector in another EU Member States on a temporary basis (freedom to provide services)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Obtaining the authorisation to perform an activity in the construction sector in another EU Member States on a permanent basis (freedom of establishment)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

21. If you have noted changes relating to "Obtaining the recognition of qualifications of professionals qualified in other EU Member States" - do they relate to the duration of the process, the requirements related to the authorisation or recognition (e.g. online submission, possibility to work with more qualified partners) and/or the cost related to the recognition?

- Duration
- Requirements
- Cost
- No opinion

Responses

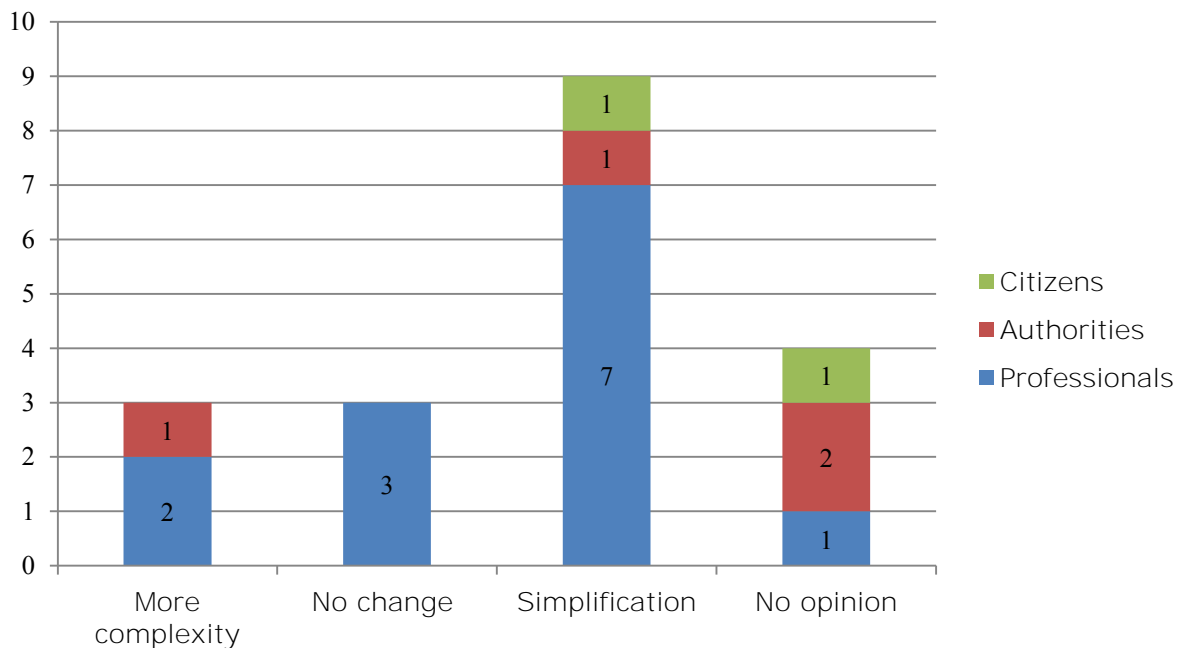
A majority (24) of respondents found that the procedures had been simplified, while 12 noticed no change. 14 did not express an opinion, and seven found the procedures more complex.

Exhibit 3.6 Perceived changes relating to the recognition of professional qualifications, freedom to provide services and freedom of establishment (Number of respondents)

	More complexity	No change	Simplification	No opinion
<i>Obtaining the recognition of qualifications of professionals qualified in other EU Member States</i>	3	3	9	4
<i>Obtaining the authorisation to perform an activity in the construction sector in another EU Member State on a temporary basis (freedom to provide services)</i>	2	5	9	3
<i>Obtaining the authorisation to perform an activity in the construction sector in another EU Member State on a permanent basis (freedom of establishment)</i>	2	4	6	7

Obtaining the recognition of qualifications of professionals qualified in other EU Member States

Exhibit 3.7 Recognition of professional qualifications from other EU Member States (Number of respondents)



In relation to the recognition of professional qualifications from other Member States, seven respondents to the Professionals' Questionnaire had noticed simplification, including three business federations and four national professional bodies. Five of these identified simplified requirements, and two indicated duration, as the simplifying factor.

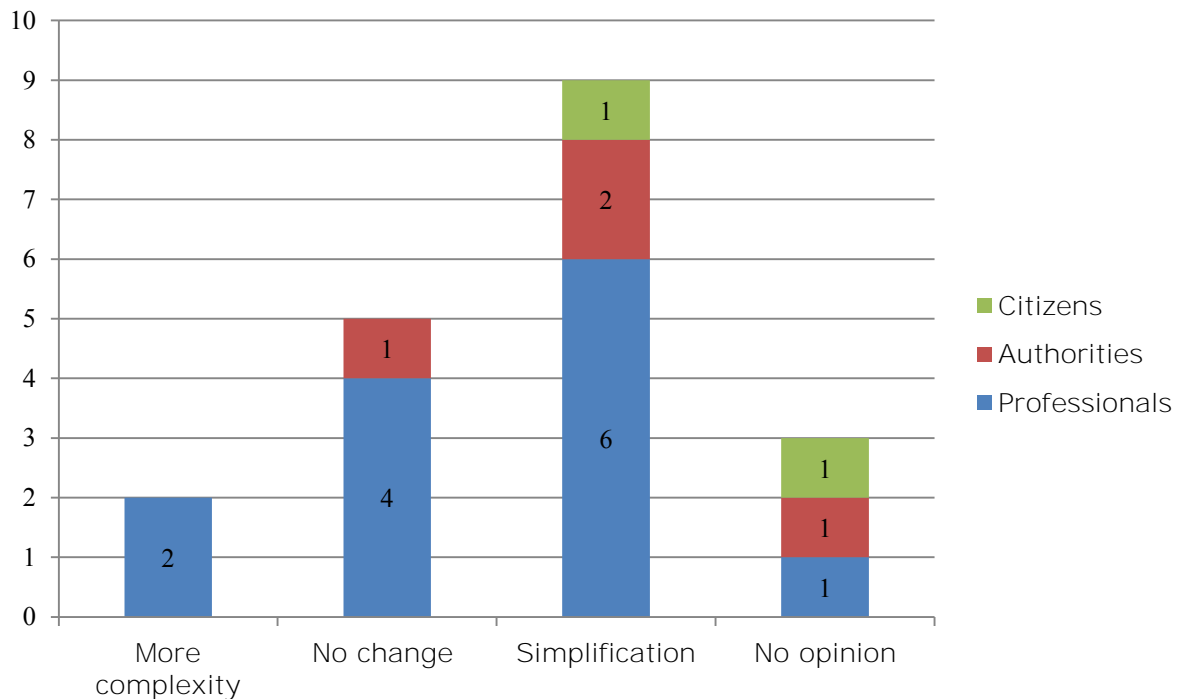
Two respondents to the Professionals' Questionnaire – one architect's micro-enterprise and one national business federation – felt the process was more complex. Three respondents, including a large company and two national professional bodies, had noticed no change.

One Ministry felt the processes had been simplified in both duration and requirements, while another believed that the applicable requirements had grown more complex. Two authorities expressed no opinion.

One citizen identified cost as a main reason for simplification. Another citizen found the processes more complex without indicating a factor for change, and was counted as having **answered 'no opinion'**.

Obtaining the authorisation to perform an activity in the construction sector in another Member State on a temporary basis (freedom to provide services)

Exhibit 3.8 Obtaining the authorisation to perform an activity in the construction sector in another Member State on a temporary basis (freedom to provide services) (Number of respondents)



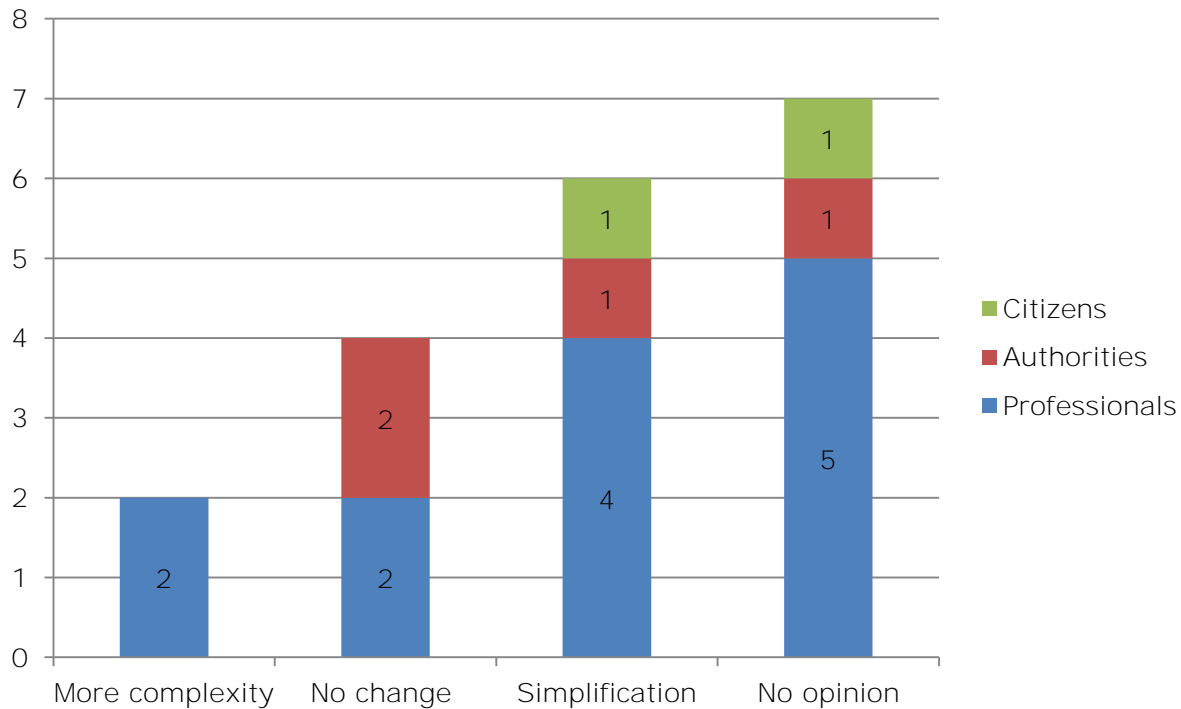
No respondents to the Authorities' Questionnaire and no respondents to the Citizens' Questionnaire indicated more complexity in the freedom to provide services. Two respondents to the Professionals' Questionnaire (an architect's micro-enterprise and a national business federation) indicated that the process had become longer.

Four respondents to the Professionals' Questionnaire (a large enterprise and three national professional bodies), as well as a regulatory body, had noticed no change.

Nine respondents indicated that they, or their organisation, had perceived a simplification of the processes. Of these nine, six were national business federations and professional bodies, two were Ministries and one was a citizen. Six respondents indicated requirements as the simplification factor. One Ministry and one business federation noted duration, while one citizen indicated cost. Only one respondent (a public authority) did not express an opinion. Three of the respondents who noted simplification came from Germany.

Obtaining the authorisation to perform an activity in the construction sector in another Member State on a permanent basis (freedom of establishment)

Exhibit 3.9 Obtaining the authorisation to perform an activity in the construction sector in another Member State on a permanent basis (freedom of establishment) (Number of respondents)



Similarly, no respondents to either the Authorities' Questionnaire or the Citizens' Questionnaire indicated more complexity in freedom of establishment. Two respondents to the Professionals' Questionnaire (an architect's micro-enterprise and a national business federation) indicated more complex processes due to requirements and duration.

Two national professional bodies, one regulatory body and one Ministry, perceived no changes in the processes.

Two national professional bodies, two business federations, one Ministry, and one citizen noted simplification. The factors given were requirements (three respondents), duration (two respondents), cost (one respondent). One respondent did not identify a factor. Again, three of the respondents to the Professionals' Questionnaire who noted simplification came from Germany.

3.1.2.3 Perception of a stronger presence of constructions firms from other EU countries in the respondents' home markets in the period 2009-2014

The three questionnaires contained the same wording, asking respondents if they had perceived any increased presence of construction firms from other EU countries in their home markets. The respondents could choose either 'Yes' or 'No'.

Responses

Thirty of the 55 respondents answered 'Yes' (25 professionals, four public authorities, and one citizen). Approximately one-third (18) responded 'No' – eight professionals, nine public authorities and one citizen. Seven did not answer this question at all (four professionals and three citizens). Of the 30 'Yes' responses, five were based in Belgium, four in Germany, three in France and the UK, and two each in Finland, Italy, Luxembourg and Spain. The remaining seven were based in Croatia, Malta, Czech Republic, the Netherlands, Austria, Denmark and Sweden⁵⁴⁹. Most of the respondents (11) who answered 'No' were based in Belgium (four), Germany (three) and Finland and Non-EU countries (two each). The remaining respondents were from Denmark, Estonia, Hungary, Ireland, Spain and Sweden⁵⁵⁰.

3.1.2.4 Perception on the result of the changes identified in the above questions on cross-border operations

The respondents were asked whether the changes identified in the previous questions on cross-border operations had resulted in improvements to six listed items relevant to the activity of construction businesses and professionals.

Box 3.3 below illustrates the question from the **Professionals' Questionnaire**.

Box 3.3 Professionals' Questionnaire - Perception on the result of the changes identified in the above questions on cross-border operations (Q25P)

25. In your experience, among the changes identified in the questions above, have any...:

	Yes	No	No opinion
Stimulated favourable investment conditions within your sector	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Facilitated the free circulation of construction products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Facilitated establishment in a Member State	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Facilitated the mobility of construction workers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Facilitated the provision of cross-border construction services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fostered the global competitive position of EU construction enterprises	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reduced administrative costs for the construction sector industry	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please explain (if you refer to a specific Member State, please state this clearly):

	Free text
Stimulated favourable investment conditions within your sector	
Facilitated the free circulation of construction products	
Facilitated establishment in a Member State	
Facilitated the mobility of construction workers	
Facilitated the provision of cross-border construction services	
Fostered the global competitive position of EU construction enterprises	
Reduced administrative costs for the construction sector industry	

⁵⁴⁹ One respondent did not provide information about the country.

⁵⁵⁰ One professional did not report the location of his organisation.

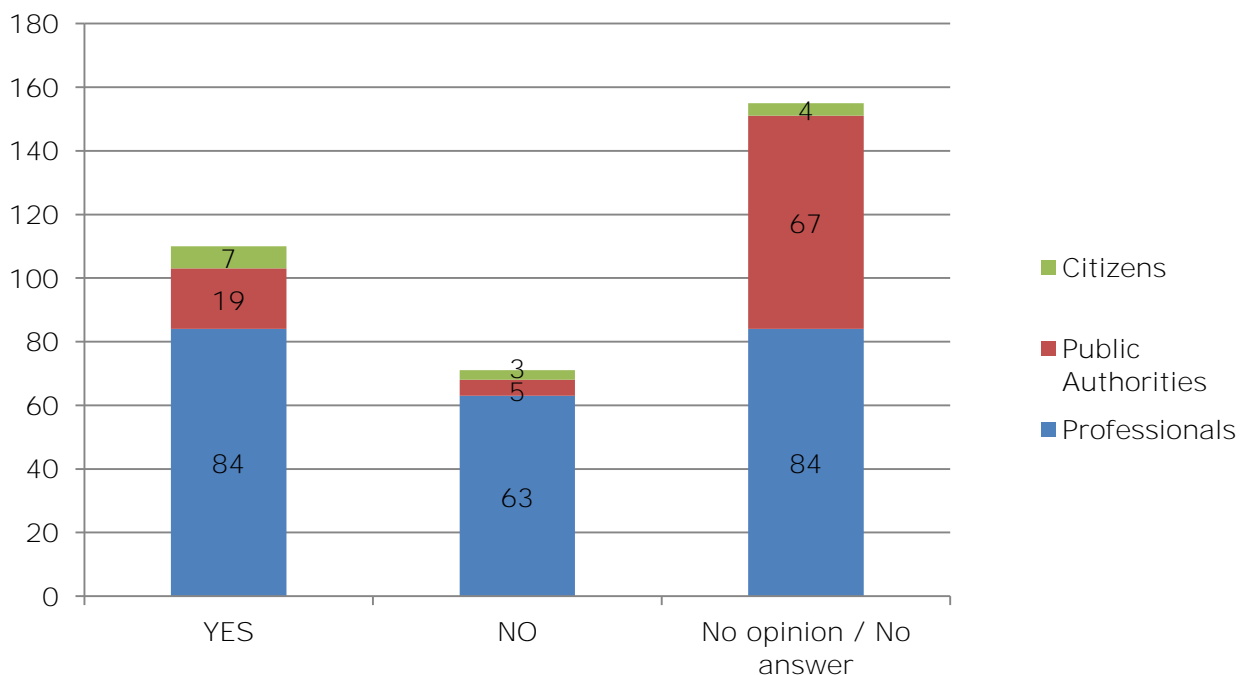
Responses

Overview of the seven statements

As the question asked respondents to comment on the changes they had identified, the four **respondents to the Professionals' Questionnaire and three respondents to the Citizens' Questionnaire** who had not answered previous questions on perceived changes (sections 3.1.2.3 and 3.2.1.4), nor replied to this question, were not taken into consideration⁵⁵¹. For the purpose of statistical analysis, this brings the total number of responses considered to 48, of which over two-thirds responded to the Professionals' Questionnaire. In addition, three respondents to the Professionals' Questionnaire and four respondents to the Authorities' Questionnaire answered either on the questions of perceived changes (sections 3.1.2.3 and 3.2.1.4), or both, but failed to provide any answer to the perceived results of these changes. For the purposes of statistical analysis, these respondents were considered to have answered 'no opinion'.

Every written contribution was considered, irrespective of previous answers.

Exhibit 3.10 Percentage for each answer by category of respondents to the seven rows of Q25P-Q20A-Q17C (Number of respondents)



Overview of the responses across the seven rows

As shown in Exhibit 3.10 above, over the seven statements considered, most stakeholders (155 out of 336 answers over the seven rows) did not express an opinion. This could be interpreted as suggesting, inter alia, that most of the stakeholders participating in the OPC had little knowledge of EU law and the possibilities that it offers them with regard to cross-border operations, or that they could not differentiate between the benefits of EU law compared to other legislation or policies (or indeed a baseline scenario with no legislation and policy).

⁵⁵¹ This includes the citizen who, having opted out of Section II.1.b, subsequently indicated that the processes in relation to the recognition of qualifications of professionals qualified in other Member States was more complex yet did not indicate a factor for change, and did not answer any other question in this section.

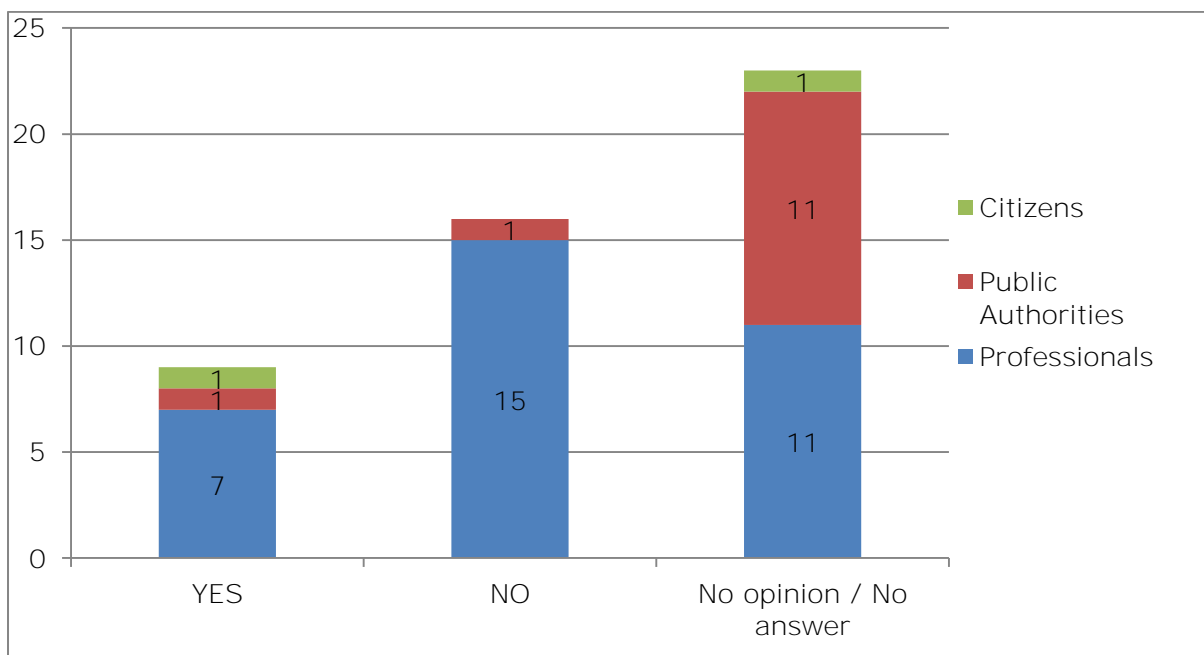
Almost one-third of answers (110) were positive, with 84 answers, one-quarter over all answers, **stemming from respondents to the Professionals' Questionnaire**. Seventy-one answered negatively, suggesting that on the matter of cross-border operations related to the activity of construction businesses and professionals, EU legislation may be achieving its aims.

Finally, in contrast to Section II.1.a., which was answered by a wide variety of professional stakeholders, most of the respondents to Section II.1.b. were business federations, some of which appear to have composed and agreed their answers (in several cases the text used was exactly or almost the same).

Stimulated favourable investment conditions within your sector

As indicated in Exhibit 3.11 below, 9 out of 48 respondents answered that the changes they identified in previous questions had indeed stimulated favourable investment conditions within their sector. One-third of respondents, however, had not experienced this stimulation within their sector (16), fifteen of whom responded to the Professionals' Questionnaire (accounting for half of this category). Almost half of the stakeholders considered (23 out of 48) expressed no opinion.

Exhibit 3.11 **'Stimulated favourable investment conditions within your sector' by category (Number of respondents)**



Analysis of the stakeholders' written contributions

Among the respondents to the Professionals' Questionnaire which gave written contributions, one business federation complained about the small number of companies from other Member States in its home country, while a national professional body for crafts and small businesses argued that existing requirements for recognition of professional qualifications have no relevant influence on the investment decisions of companies in the building and construction sector.

Most respondents, mainly a European business federation and national business federations, highlighted the impact of the crisis and austerity policies on the sector, stating that this had dramatically changed the investment conditions for the construction sector by decreasing consumers' ability to buy or repair houses and flats, as well as pushing governments to reduce public infrastructure building spending. As a result, companies sought cheaper costs, which, they stated, includes 'shopping in different Member States for cheap labour', as well as long

chains of sub-contractors with limited knowledge and control, and low quality products and services, which these stakeholders emphasised had been fostered by the internal market. As a result, market competition was described as having settled at the lower end for working conditions and safety, including the non-payment of social security contributions. As explained above, the answers of these stakeholders appeared to have been agreed statements.

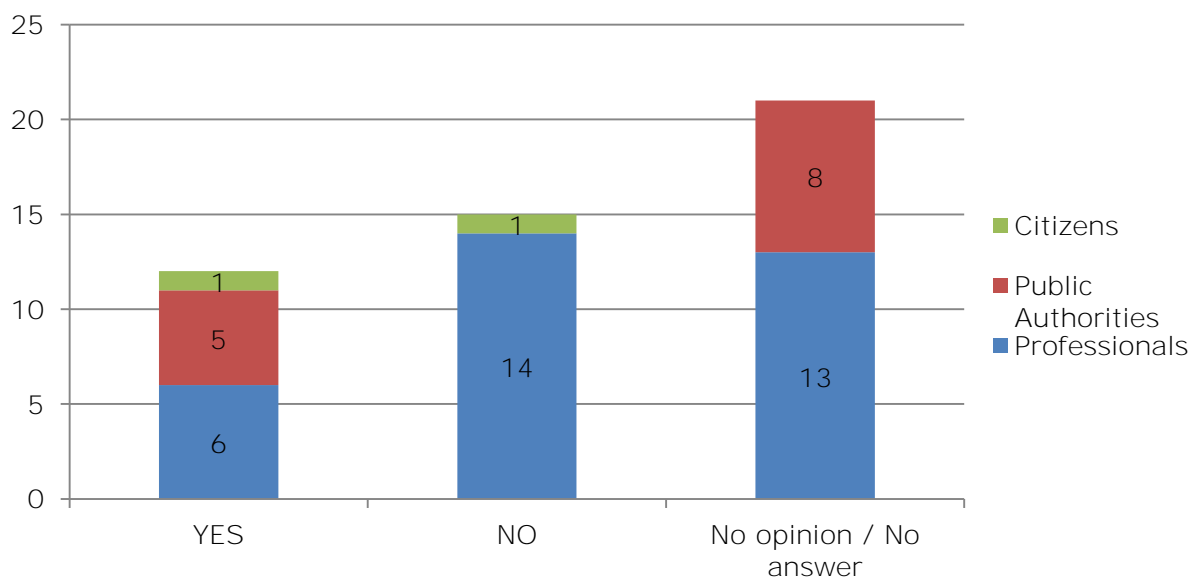
One citizen took the opportunity to offer written contributions highlighting the effectiveness of the single market in creating favourable investment conditions, in particular the presence of the euro as a single currency in many Member States.

Public authorities did not provide written contributions to this row.

Facilitated the free circulation of construction products

Exhibit 3.12 below shows the results gathered by the OPC on the facilitation of free circulation of construction products. Twenty-one respondents expressed no opinion, while 15 indicated that the changes they identified in previous questions had not led to the facilitation of free circulation of construction products. None of these respondents were public authorities. By contrast, one-quarter of the respondents (12) took the opposite view.

Exhibit 3.12 **'Facilitated the free circulation of construction products' by category**
(Number of respondents)



Analysis of the stakeholders' written contributions

A national authority, in its written contribution, indicated that the DOP and CE marking under the CPR (an instrument not explicitly covered by this section of the OPC) allow construction products to move across borders without any technical barriers to trade. A Ministry from another country, however, stated that the single market provides for higher quality construction products. These two statements offer a sharp contrast to the comments received from **respondents to the Professionals' Questionnaire detailed below.**

Here again, a number of stakeholders, mainly a European business federation and other national business federations, appeared to have agreed their answers to this section, indicating that as **houses are built 'where they should be built', i.e. that construction projects cannot be moved** from place to place, the free circulation of products is not an issue for the sector. These stakeholders believe that the construction industry is characterised by a low degree of free movement of goods. Another national business federation indicated the belief that, since the applicable rules for the recognition of professional qualifications already rely on automatic recognition, existing requirements have no adverse effect on free circulation of construction products. Yet another national business federation focused on the CPR (an instrument not explicitly covered by this section of the OPC), mentioning that it had created new procedures, but had not significantly improved free circulation of construction products.

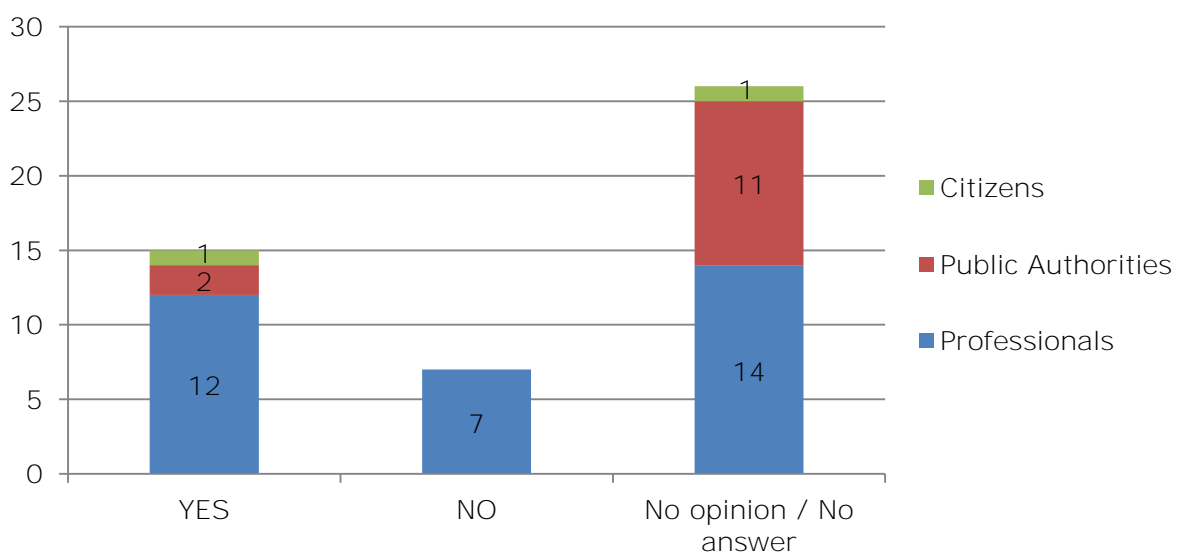
One citizen who commented stated that CE marking does not play a role, as construction products are chosen by entrepreneurs and architects according to their personal experience. Another citizen held the opposite view, stating that standardisation of construction products at a European level helped to open markets to companies.

Facilitated establishment in a Member State

This topic seems to have been the most complex for stakeholders, as 26 respondents (out of 48) **did not express an opinion, including almost half of the respondents to the Professionals' Questionnaire** (14 out of 33).

More than one-third of the respondents, however, believed that the changes they identified in previous questions had facilitated establishment in a Member State, while 7 respondents did not believe so.

Exhibit 3.13 '**Facilitated establishment in a Member State' by category** (Number of respondents)



Analysis of the stakeholders' written contributions

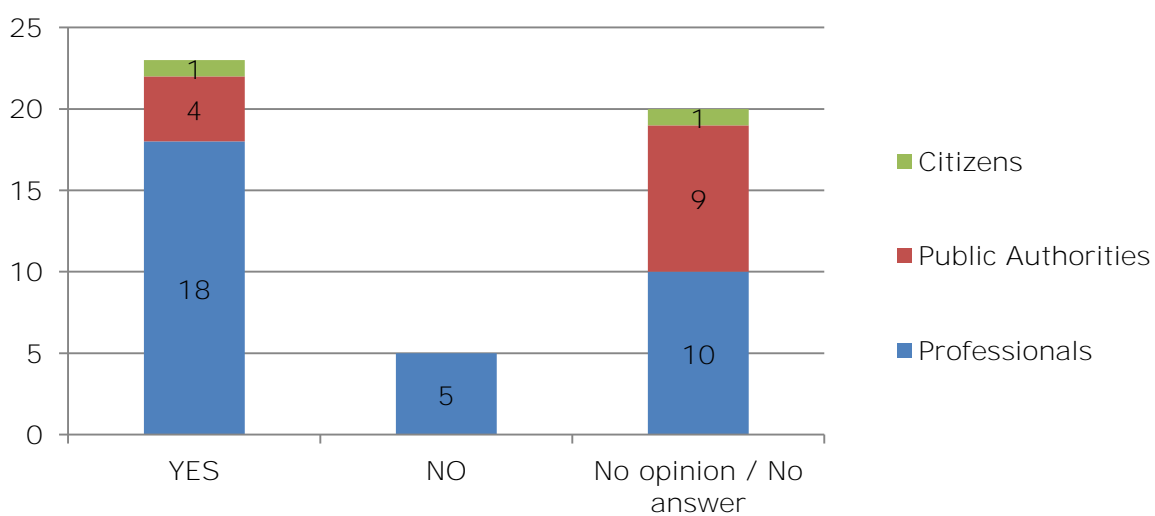
One national business federation stated that the provisions of the PQD have, for decades, ensured automatic recognition and thus flexible rules for freedom of establishment. Similarly, one citizen noted that the SD already provides a very efficient framework for permanent or temporary establishment in a Member State. Another national business federation stated that the establishment of construction companies had clearly been improved by the PQD, a view backed by a national Ministry. However, the former professional stakeholder found that the openness of the mutual recognition mechanism for the occasional provision of services had created new parallel recognition mechanisms which are more expensive than the professional qualification requirements. One stakeholder believed that national building codes and/or country-specific contract models hinder establishment.

As above, a number of stakeholders – mainly a European business federation and other national business federations – appeared to have agreed their answers, indicating their belief that European legislation - particularly the SD - has facilitated the setting up of fake companies or so-called 'letterbox companies', which have no real economic activity in the country in which they are registered. They are set up where social security contributions are low and where there are no checks on companies' activities or social security payments, such as Bulgaria, Cyprus, Estonia, Ireland or the UK. They are also used to circumvent collective agreements. In such companies, the true identity of the owner is concealed and big profits are enabled by poor treatment of workers and inadequate checks by the authorities. These stakeholders stated that EU law has created this situation, and also facilitates the fraudulent posting of workers.

Facilitated the mobility of construction workers

Twenty-three respondents answered this row positively, i.e. that the changes they identified in previous questions had facilitated the mobility of construction workers. This included one-third of respondents to the Professionals' Questionnaire, representing half of this category. Over 20 respondents gave no opinion. Only respondents to the Professionals' Questionnaire replied negatively, totaling 5 answers.

Exhibit 3.14 'Facilitated the mobility of construction workers' by category (Number of respondents)



Analysis of the stakeholders' written contributions

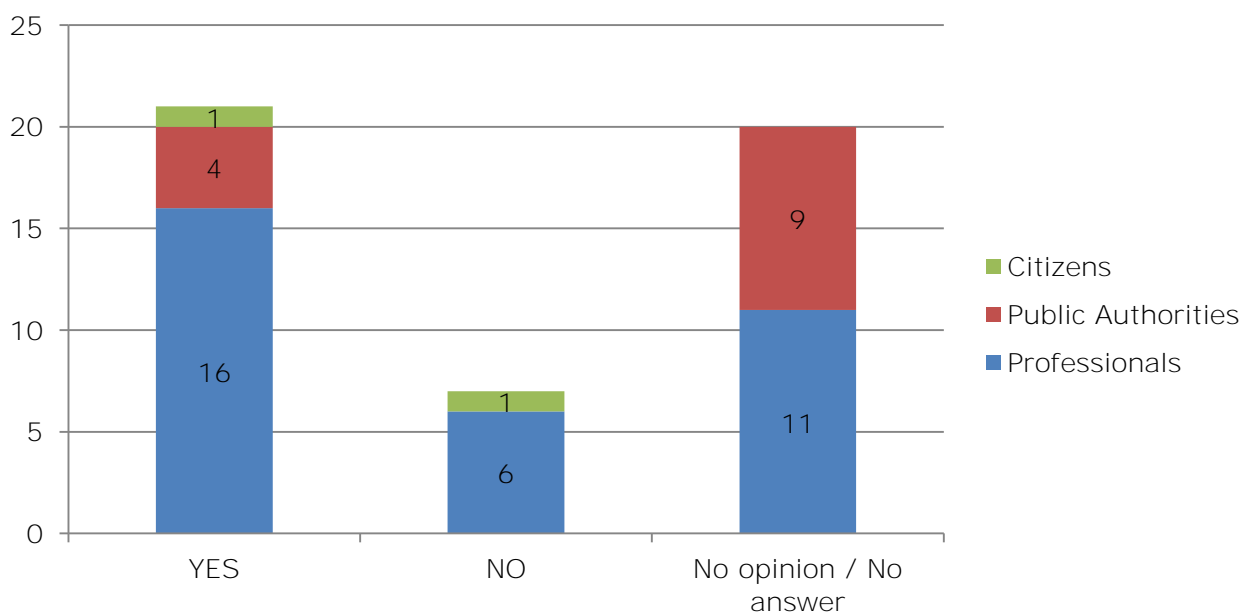
Overall, stakeholders who responded to the Professionals Questionnaire, as well as one citizen, held the opinion that cross-border mobility had been facilitated by the SD, especially for the highly labour intensive construction sector. However, they also believed that legal loopholes and vague legislation (at EU and national level), combined with limited preventative, control and sanction mechanisms, had simplified the creation of unofficial circuits endangering fair competition and fair working conditions. The predominant view among the professional stakeholders was that excessive mobility of construction workers between companies and differences between social security systems within countries facilitated social dumping. In particular, many labour markets in the EU were perceived as characterised by undeclared work, absence of social dialogue, fake self-employment, and a lack of efficient labour market supervision. The stakeholders saw these national **characteristics as 'exportable' within the European internal market**, leading to major labour market conflicts in the country of employment. Some stakeholders therefore advocated for the creation of a level playing field for fair work via regulatory means in the Member States contributing to these problems. In addition, host countries should be allowed to regulate and control their own labour markets without hindrance from EU Internal Market rules.

One Ministry had perceived the decrease of unemployment in its country.

Facilitated the provision of cross-border construction services

A majority of stakeholders (21) answered positively, i.e. that the changes they identified in previous questions had facilitated the provision of cross-border construction services. This majority includes one-third of respondents to the Professionals' Questionnaire (16), representing half of this category. However, over 20 respondents did not voice an opinion, while seven did not feel that the changes had facilitated the provision of cross-border construction services.

Exhibit 3.15 'Facilitated the provision of cross-border construction services' by category (Number of respondents)



Analysis of the stakeholders' written contributions

Similar issues were reiterated here, i.e. that automatic recognition for the cross-border provision of services is set by transparent and straightforward rules. However, the openness of the mutual

recognition mechanism – especially for the occasional provision of services – created new parallel recognition mechanisms that are more expensive than the professional qualification requirements. In addition, competent authorities do not have efficient instruments to ensure implementation of all rules and to avoid fraud.

Stakeholders also indicated that most construction companies act on a local or regional level as there is, typically, limited demand for cross-border mobility. In addition, given that construction companies can either post their workers abroad temporarily, or set up a subsidiary company abroad, these business federations argued that there is no need for further action to facilitate the provision of cross-border construction services.

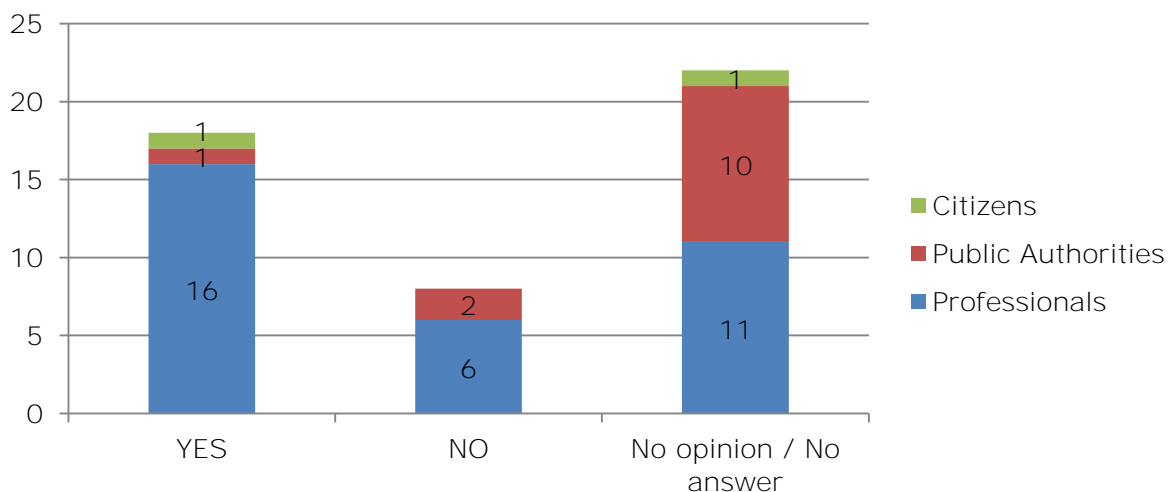
One Ministry explained that their national companies can now carry out more significant contracts in the EU and get relevant references.

Finally, a citizen indicated that the provision of cross-border construction services already works quite well and that major companies are thriving all over Europe.

Fostered the global competitive position of EU construction enterprises

Twenty-two of the respondents expressed no opinion about the global competitive position of EU construction companies, including 10 public authorities. Half of the respondents to the Professionals' Questionnaire (a total of 18 respondents) assumed that the changes identified in previous questions had indeed allowed for EU construction enterprises to become more competitive at a global level, leaving 8 respondents believing such changes did not have this effect.

Exhibit 3.16 'Fostered the global competitive position of EU construction enterprises' by category (Number of respondents)



Analysis of the stakeholders' written contributions

Most of the respondents to the Professionals' Questionnaire who provided a written explanation answered negatively. One stakeholder stated that the regulatory burden forces construction to focus on complying with rules and regulations rather than competitiveness, while another remarked that competitiveness did not improve for their nationals, given the income of foreign workers from countries whose social security spending requirements are much lower. Finally, one stakeholder indicated that rules on recognition of professional qualifications are irrelevant for the global competitive position of EU construction enterprises.

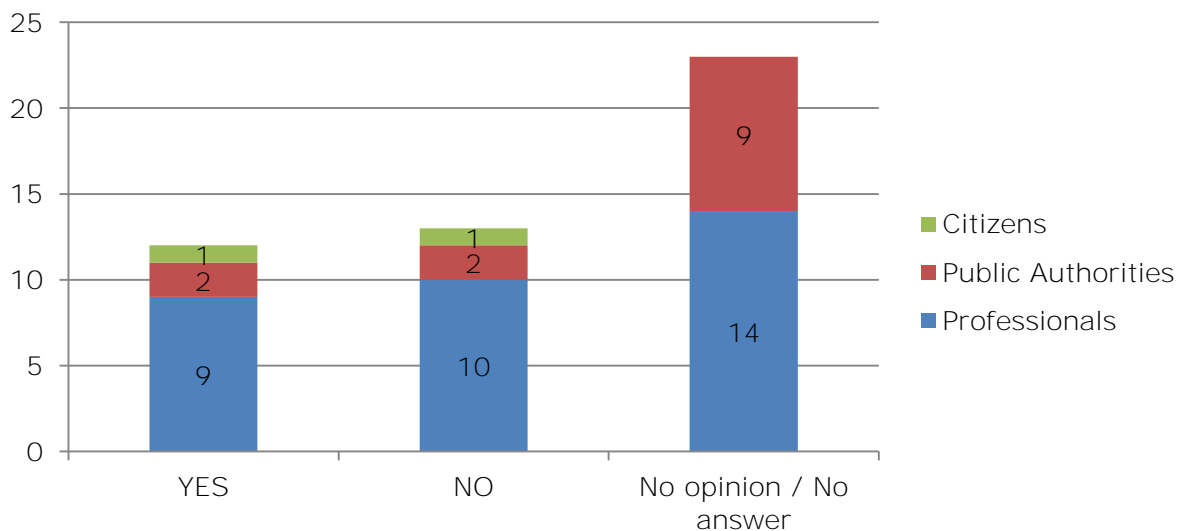
One Ministry expressed the opinion that higher competitiveness should result in higher quality in the construction industry sector.

Finally, a citizen indicated that major EU companies are already quite successful abroad in Middle Eastern or African countries.

Reduced administrative costs for the construction sector industry

Twenty-three respondents gave no opinion on the impact of legislation on reducing administrative costs for the construction industry. A large majority of public authorities (9 out of 13) gave no opinion, as well as close to half of the respondents to the Professionals' Questionnaire (14 out of 33). Approximately one-quarter of responses were negative (13 out of 48), with almost the same number of positive responses (12), equally split among citizens and public authorities, and among respondents to the Professional's Questionnaire.

Exhibit 3.17 'Reduced administrative costs for the construction sector industry' by category (Number of respondents)



Analysis of the stakeholders' written contributions

Stakeholders' written submissions reflect the clear division indicated above.

While some stakeholders explained that the increased regulatory burden is tantamount to increased administrative costs, others stated that the administrative costs for recognition of professional qualifications are marginal and effectively negligible. Finally, the remaining stakeholders stated that reduced administrative burdens stem from a lack of regulatory measures to ensure a fair competition in the internal market with less social dumping and fraud. One trade union stakeholder took a negative view of SMEs pressing for special legal treatment, as most of the obligations seek to protect all stakeholders. Another stated that SMEs are pressing for an 'extravagant legislative treatment' despite the fact that, by its nature, the construction industry should be well regulated. They emphasised the importance of work accidents in the sector, taking a strong view that the current EU policy to reduce administrative burdens must take into account the reality of the construction industry, as not every administrative requirement is a burden or a cost factor. A national business federation representing small companies and craftsmen indicated that requirements linked to energy present a considerable burden for architects.

One national authority - probably referring to the DOP under the CPR (an instrument not explicitly covered by this section of the OPC) - stated that a single conformity document allows

manufacturers of construction products to demonstrate conformity in all Member States, the EEA and Switzerland.

Finally, while one citizen indicated that more paperwork had accompanied her/his construction project, another citizen felt that the goal of reduced administrative burden had already been achieved and that no further action was necessary.

3.1.3 Late payments (Section II.1.c. of the OPC)

3.1.3.1 Changes in payment times in the years following the implementation of the Late Payments Directive

A total of 21 respondents answered the section on late payments, 14 in the Professionals' Questionnaire, four in the Authorities' Questionnaire, and three in the Citizens' Questionnaire. The rest of respondents opted-out of answering to these questions.

Each of the three questionnaires asked the respondents if, in her/his own experience, in the years following the implementation of the Late Payments Directive (LPD), payment times from public clients to public clients, and from private clients to private clients had changed. Respondents could choose between a decrease or increase of payment times, no change in payment times, or no opinion.

One public authority answered only the first question (payment times to public clients). One citizen answered only the last question (payments times from private clients), while one **respondent to the Professionals' Questionnaire answered only the last two questions on private clients. The lack of answers from these respondents were deemed 'no opinion'.**

Responses

Exhibit 3.18 Changes in payment times in the years following the implementation of the LPD (Number of respondents)

	Decreased	Remained the same	Increased	No opinion
<i>Payment times to public clients</i>	8	6	4	3
<i>Payment times from public clients</i>	6	5	2	8
<i>Payment times to private clients</i>	3	6	8	4
<i>Payment times from private clients</i>	5	9	3	4

Payment times to public clients

A total of eight respondents indicated that payment times to public clients had improved (i.e. **decreased**), including **five respondents to the Professionals' Questionnaire, two public authorities** and one citizen. These were from Austria, Belgium, France, Germany, Ireland, Malta, the Netherlands, and the UK.

Six respondents believed payment times to public clients had stayed the same, including five professionals and one public authority. These came from Belgium, Czech Republic, Italy, Spain, and the UK.

Four respondents replied that payment times to public clients had worsened (i.e. increased), including two professionals and one citizen, from Belgium, Germany and Slovenia.

Payment times from public clients

A total of six respondents indicated that payment times from public clients had improved (i.e. **decreased**), including **four respondents to the Professionals' Questionnaire, one public authority** and one citizen. These respondents were from Belgium, France, Ireland, Malta and the UK.

Five respondents believed payment times from public clients had stayed the same, including two professionals, two public authorities and one citizen, from Belgium, Czech Republic, Italy, Slovenia and Switzerland.

Two professional respondents replied that payment times from public clients had worsened (i.e. increased). These respondents were from Germany and Spain.

Payment times to private clients

A total of three respondents indicated that payment times to private clients had improved (i.e. **decreased**), including **two respondents to the Professionals' Questionnaire, and one citizen, from Belgium, Germany and the UK.**

Six respondents believed payment times to private clients had stayed the same, including five professionals, and one public authority from Belgium, Italy, Malta, Spain and the UK.

Eight respondents replied that payment times to private clients had worsened (i.e. increased), including six professionals, one public authority and one citizen. These respondents were from the Czech Republic, France, Ireland, Italy, Germany, Luxembourg, Slovenia and Spain.

Payment times from private clients

A total of five respondents indicated that payment times from private clients had improved (i.e. **decreased**), including **three respondents to the Professionals' Questionnaire, one public authority** and one citizen. These respondents were from Belgium, Malta, Spain and the UK.

Nine respondents believed payment times from private clients had stayed the same, including five professionals, two public authorities and two citizens, from Belgium, Czech Republic, Ireland, Italy, Slovenia, Spain and Switzerland.

Three professional respondents replied that payment times from private clients had worsened (i.e. increased). These respondents were from France, Germany and Italy.

3.2 Questions on EU legislation related to energy efficiency in general and the use of renewable energy in the construction sector

3.2.1 Inspection/Installation and accredited experts (Section II.2.a. of the OPC)

A total of 23 respondents chose to answer the section on inspection/installation and accredited experts, including 15 respondents to **the Professionals' Questionnaire, six respondents to the Authorities' Questionnaire, and two respondents to the Citizens' Questionnaire.** The rest opted-out of answering to these questions

3.2.1.1 Inspection carried out by qualified and/or accredited experts

The three questionnaires asked if inspection/installation is carried out by visibly qualified and/or accredited experts (or in any case that such a qualification was brought up in the context of the inspection/installation). The question was directed towards specific inspections, namely the inspection of heating systems and air-conditioning systems, and also the installation of renewable energy systems specifically. Respondents could choose from three answers for each specific inspection/installation: yes, no and no opinion.

Responses

One public authority that opted to answer questions on this section did not answer any of the three specific inspections/installation questions. One citizen only answered the first question. **These were accounted for as 'no opinion'.**

For all answers, over half of the respondents replied 'Yes'.

Exhibit 3.19 Inspection carried out by qualified and/or accredited experts (Number of respondents)

	Inspection of heating systems	Inspection of air-conditioning systems	Installation of renewable energy systems
<i>Yes</i>	13	14	13
<i>No</i>	5	5	5
<i>No opinion</i>	5	4	5

Inspection of heating systems

Most stakeholders (13) answered positively, with five negative answers and five stakeholders expressing no opinion.

The respondents that **answered 'yes' spanned seven Member States (Austria, Belgium, France, Germany, Hungary, Ireland and Spain)**, while those that **answered 'no' covered four (Germany, Italy, Sweden and the UK)**, with Germany appearing in both categories.

Inspection of air-conditioning systems

Most stakeholders (14) answered positively, with five negative answers and four stakeholders expressing no opinion.

The respondents that answered 'yes' spanned 10 Member States (Austria, Belgium, Czech Republic, France, Germany, Hungary, Ireland, the Netherlands, Spain and Sweden), while those that **answered 'no' covered four (Belgium, Germany, Italy, Spain and the UK)** with Belgium, Germany and Spain appearing in both categories.

Installation of renewable energy systems

Most stakeholders (13) answered positively, with five negative answers and five stakeholders expressing no opinion.

The respondents that answered 'yes' spanned 10 Member States (Austria, Belgium, Czech Republic, France, Germany, Italy, Malta, the Netherlands, Spain and Sweden), while those that **answered 'no' covered four (Belgium, Germany, Hungary, Spain and the UK)** with Belgium, Germany and Spain again appearing in both categories.

3.2.1.2 Public availability and public use of lists of qualified or certified installers and/or inspectors

The three questionnaires asked respondents whether, to their knowledge, a list of qualified or certified installers and/or inspectors is publicly available in their Member State. They were also asked if the general public would, in their experience, use such a list. Respondents could choose one of five options: publicly available, not publicly available, actively used by the general public, not actively used by the general public, no opinion.

Responses

Answers to active and not-active use of the list were only considered from those respondents who had answered that a list was publicly available or who had not answered that question. This omitted one professional respondent who had stated that the lists were neither publicly available nor used by the general public.

Exhibit 3.20 Public availability and public use of lists of qualified or certified installers and/or inspectors (Number of respondents)

	Publicly available	Not publicly available	Actively used by general public	Not actively used by general public	No opinion
<i>List of qualified and/or accredited experts for the inspection of heating and air-conditioning systems (relevant under the EPBD)</i>	13	2	2	4	2
<i>List of qualified and/or certified installers of renewable energy systems (relevant under the RESD)</i>	13	2	2	3	4

List of qualified and/or accredited experts for the inspection of heating and air-conditioning systems (relevant under the EPBD)

This question was answered by a total of 21 respondents, including 14 professionals, five public authorities and two citizens.

A majority of respondents (13) indicated that, to their knowledge, the list of qualified and/or accredited experts for the inspection of heating and air-conditioning systems was publicly available in their Member State. Of these 13, however, only two believed that the list was actively used by the general public, and the remaining 11 expressed no opinion on the issue. The home Member States of the 13 respondents were: Belgium, Czech Republic, Estonia, France, Germany, Hungary, Ireland, the Netherlands and Sweden; with France and Hungary being the Member States where these lists seem to be used by the public. In addition, two respondents from Belgium and Germany did not provide an answer on the public availability of the list but indicated that the list was not used by the general public. A citizen in Belgium confirmed this, while another citizen indicated that such a list was not used by the general public in the UK.

Two respondents to the Professionals' Questionnaire from Spain were unaware of such a list.

List of qualified and/or certified installers of renewable energy systems (relevant under the RESD)

This question was answered by 22 respondents, including 14 professionals, six public authorities and two citizens.

A majority of respondents (13) indicated that, to their knowledge, the list of qualified and/or accredited installers of renewable energy systems was publicly available in their Member State. Of these 13, however, two had observed the list being actively used by the general public. The home Member States of the 13 respondents were: Belgium, Croatia, Czech Republic, Germany, Ireland, Italy, France, Malta, the Netherlands and Sweden, with France being the Member State where these lists seem to be used by the public. In addition, two respondents from Belgium and

Germany did not provide an answer on the public availability of the list, although they did indicate that such a list was not used by the general public. One citizen also indicated that **this list was not used by the general public in the UK. Two respondents to the Professionals' Questionnaire from Spain were unaware of such a list.**

3.2.1.3 Public availability and public use of lists of qualified or certified installers and/or inspectors

The three questionnaires asked respondents whether they had noted or perceived any changes related to the frequency of inspections of heating and air-conditioning systems and the installations of renewable energy systems. The question distinguished between five systems, asking about the inspection, reception of advice or installation, as relevant. Respondents could choose any of the four following options: more frequent, no change, less frequent, and no opinion.

Responses

A total of 21 respondents answered **each row, including 14 respondents to the Professionals' Questionnaire, five respondents to the Authorities' Questionnaire, and two respondents to the Citizens' Questionnaire.**

Exhibit 3.21 Public availability and public use of lists of qualified or certified installers and/or inspectors (Number of respondents)

	More frequent	No change	Less frequent	No opinion	Total
<i>Inspection of heating systems</i>	7	8	1	5	21
<i>Inspection of air-conditioning systems</i>	6	8	1	6	21
<i>Receiving advice on the efficiency of the boiler</i>	11	6	0	4	21
<i>Receiving advice on the efficiency of the air-conditioning system</i>	9	7	0	5	21
<i>Installation of renewable energy systems</i>	10	6	1	4	21

Inspection of heating systems

Seven respondents, all professionals, stated that the inspection of heating systems had increased in frequency, while eight (four professionals, two authorities and two citizens) stated **that the frequency had remained the same. One respondent to the Professionals' Questionnaire** felt the frequency had diminished, however, and the remaining five respondents expressed no opinion.

Inspection of air-conditioning systems

Six respondents - five professionals and one public authority - believed the inspection of air-conditioning systems to have increased in frequency, while eight respondents - six professionals, one authority and one citizen - stated that the frequency of such inspections had remained the **same. One respondent to the Professionals' Questionnaire felt the frequency had diminished,** however, and the remaining six respondents expressed no opinion.

Receiving advice on the efficiency of the boiler

Eleven respondents, including ten professionals and one public authority, found that advice on the efficiency of boilers was given more frequently, while six respondents, including three professionals, one authority and two citizens, found the frequency had remained the same. No respondent felt the frequency had diminished and the remaining four respondents expressed no opinion.

Receiving advice on the efficiency of the air-conditioning system

Nine respondents - seven professionals and two public authorities - stated that advice on the efficiency of air-conditioning systems was given more frequently, while seven respondents - six professionals and one citizen - found that the frequency had remained the same. No respondent felt the frequency had diminished and the remaining five respondents expressed no opinion.

Installation of renewable energy systems

Ten respondents (seven professionals, two public authorities and one citizen) found that the installation of renewable energy systems had grown more frequent, while six respondents (five professionals and one authority) found the frequency had remained the same. One respondent **to the Professionals' Questionnaire** felt the frequency had rather diminished and the remaining four respondents expressed no opinion.

3.2.1.4 Perception on the result of the changes identified in the above questions on inspection/installation and accredited experts

The three questionnaires asked respondents, **who had answered 'more frequent' or 'less frequent' to any of the rows of the** previous question, whether the changes they had identified had resulted in the improvement, reduction or stimulation of six listed items relevant to energy efficiency in the construction sector.

Responses

Of the 21 respondents above, two professionals, three public authorities and one citizen had answered no change or no opinion to all rows and were therefore excluded from the statistical analysis, bringing the total **respondents to 15, 12 respondents to the Professionals' Questionnaire, two to the Authorities' Questionnaire, and one citizen.**

Every written contribution was considered, irrespective of previous answers.

The respondents to this question were residents of Belgium, France, Germany, Hungary, Ireland, Italy, the Netherlands and Spain.

Overview of the responses

Exhibit 3.22 Perception of the result of the changes identified in the above questions on inspection/installation and accredited experts (Number of respondents)

	Improved the energy performance of construction products	Improved the energy efficiency of buildings	Reduced the environmental footprint of buildings	Stimulated the construction of new buildings	Stimulated the renovation of buildings	Stimulated the installation of RES
Yes	9	10	8	4	9	11
No	3	3	5	7	3	1
No opinion	3	2	2	4	3	3

Over the six rows, a majority of respondents (51 answered positively. This suggests that, on the matter of energy efficiency in the construction sector, the EU legislation may be achieving its aims. All 22 **negative responses stemmed from respondents to the Professionals’ Questionnaire**. Seventeen respondents expressed no opinion on the different rows.

Strong positive majorities can be noted for the improvement of energy performance of construction products and the energy efficiency of buildings, as well as increased building renovation and the installation of renewable energy systems, with the latter being the strongest change observed by stakeholders.

The stimulated construction of new buildings is the only issue about which the majority of respondents felt negatively, with seven respondents to the **Professionals’ Questionnaire answering ‘no’, three answering ‘yes’, and two answering ‘no opinion’**. The countries with negative responses were Belgium, France, Germany, Italy and Spain. In the case of Belgium and Germany, the reaction was mixed, as two other professional stakeholders answered positively.

Analysis of the stakeholders’ written contributions

Few stakeholders explained their answers and position. Public authorities commented on only **three occasions, while the respondents to the Citizens’ Questionnaire made no comment at all**. Many comments were repetitive and short, and lacked detail.

One stakeholder believed that the energy performance of construction products improved as a result of the increased quality of building products and materials. A German professional **indicated that Germany’s requirements exceeded European ones, and that there was** a drop in particular in new construction in Germany, while a Belgian professional body highlighted that criteria ought not to be reinforced as they already are at an optimum level. According to this latter respondent, stricter criteria would act as a deterrent by increasing the return on investment timeframe. A Dutch Ministry indicated that part of the inspection report delivered in their Member State includes recommendations to improve building energy efficiency. They also stated that their experience with the mandatory scheme for shallow geothermal and ground source heat pumps had caused a decrease in the market growth of these renewable energy sources installations, and it therefore advocated for non-mandatory qualification/certification schemes to stimulate the installation of renewable energy systems.

One stakeholder held the strong view that experts were badly qualified and that the advice provided was sales-driven. Another stakeholder highlighted the lack of sanctions for construction products, energy efficiency in buildings and environmental footprints.

Finally, an Estonian Ministry submitted a written contribution but did not answer the questions. **It explained Estonia's situation as a Member State who used the options provided the Directives**, i.e. Estonia elected to implement measures instead of the mandatory inspection of heating systems and air-conditioning systems. The Ministry declared that the reason behind this choice was the lack of justification for such mandatory measures, stating that regular inspection of the heating/climate systems in Estonia is achieved through alternative means and the stimulus to update a heating/cooling system is based on the capacity to invest.

3.2.2 Public procurement (Section II.2.b. of the OPC)

3.2.2.1 Perception on the result of the changes identified in the above questions on inspection/installation and accredited experts

The three questionnaires asked if respondents had noticed an increased use of energy efficiency criteria in the public tenders of central, local and regional governments. The respondents could answer yes, no, or no opinion in three rows corresponding to the headings of national, local and regional governments.

Responses

All 55 respondents were considered in the analysis. Only one respondent to **the Professionals' Questionnaire** and one respondent to **the Citizens' Questionnaire** did not answer and were counted as 'no opinion'.

As indicated in Exhibit 3.23 below, a majority of respondents expressed no opinion in 72 answers. However, the number of positive responses outweighs the number of negatives, and, in the case of national governments, 24 respondents noticed an increased use of energy efficiency criteria in tenders, against nine who had not and 22 who expressed no opinion.

Exhibit 3.23 Perception of the result of the changes identified in the above questions on inspection/installation and accredited experts (Number of respondents)

	National governments	Local governments	Regional governments
Yes	24	23	21
No	9	7	9
No opinion	22	25	25

3.3 Questions on EU legislation related to products used in construction

3.3.1 CE marking and Declaration of Performance (Section II.3.a. of the OPC)

3.3.1.1 Importance of the CE marking and DOP in accessing other Member States' market

A total of 37 respondents out of 55 chose to answer the questions on the CE marking and DOP of the CPR (25 professionals, nine public authorities and three citizens).

The three questionnaires asked respondents to gauge the importance of the information provided through **the DOP and CE marking in accessing other Member States' markets**. The respondents could choose from five possible answers: not at all, to a limited extent, to some extent, to a high extent, and no opinion.

Responses

As shown in Exhibit 3.24 below, 14 respondents felt that the information provided through the DOP and CE marking was highly important to access other Member States' markets. In addition, 13 respondents also believed it was important 'to some extent'. Thus, almost three quarters of respondents, totaling 27 answers, believed such information to be important for the successful functioning of the internal market. Less than a fifth of the respondents, therefore, found this information of only marginal importance (one respondent answered 'not at all' and 6 answered 'limited extent').

Exhibit 3.24 **Importance of the CE marking and DOP in accessing other Member States' markets** (Number of respondents)

	Professionals	Authorities	Citizens
<i>Not at all</i>	1	0	0
<i>To a limited extent</i>	6	0	0
<i>To some extent</i>	9	1	3
<i>To a high extent</i>	7	7	0
<i>No opinion</i>	2	1	0

3.3.1.2 Changes to the CE marking and DOP procedures according to different policy areas

The three questionnaires asked respondents whether the DOP and CE marking procedures for construction products had been changed by policies in any one of four areas: energy efficiency in buildings, environmental protection, public health and safety, and health & safety at work. Respondents could answer with yes, no, or no opinion.

Respondents were also invited to provide explanations of these effects, e.g. their cost or duration of the procedures.

Responses

Overview of the responses

Overall, a majority of respondents (63) answered that the DOP and CE marking procedures for construction products had not been changed by policies in the four areas under consideration. One-third of the respondents (49) expressed no opinion on the issue, while one-quarter of respondents (36) answered 'yes'.

In each of the four areas, most respondents answered 'no'.

Exhibit 3.25 Changes to the CE marking and DOP procedures according to different policy areas (Number of respondents)

	Energy efficiency in buildings	Environmental protection	Public health and safety	Health & safety at work
<i>Yes</i>	9	10	9	8
<i>No</i>	15	15	17	16
<i>No opinion</i>	13	12	11	13

Analysis of the stakeholders' written contributions

Only six of the 37 who answered this section provided written explanations on the effects of the changes to the DOP and CE marking procedures for construction products according to policies in the four areas given.

One medium-sized enterprise from the UK indicated that the whole CE marking system for construction products had added additional cost for its organisation, adding that, due to the geological nature of their products, they were exposed to greater risk.

An architects' business body stated that a European internal market for construction products required fully harmonised European standards for construction products in order to secure the availability of construction products and the basic requirements for construction listed in Annex I to the CPR. They felt, however, that CE-marked construction products currently cannot demonstrate compliance with the basic requirements for construction set in Annex I to the CPR. Thus, Article 6 and Annex III of the CPR on the content of the DOP is not a fit basis for standardisation at EU level. The essential performance classes must be defined to reflect the different protection needs, climatic conditions and construction methods in the different Member States. This stakeholder in particular referred to **Basic Requirements 1 ('Mechanical resistance and stability'), 2 ('Safety in case of fire'), and 3 ('Hygiene, health and the environment')**. A business federation representing engineers, from the same country, indicated that there were inconsistencies and critical gaps between harmonised construction products and the Eurocodes, which affect the structural safety and fire protection Basic Requirements of the CPR.

One stakeholder from the cement industry stated that the standards for these materials already provided the performances required by the DOP and CE marking.

A Ministry pointed out that other horizontal legislation, such as implementing Regulations under the EDD, may require additional conformity procedures with products covered by a harmonised European standard (thereafter 'hEN'). **Requirements stemming from these instruments should be implemented in the essential requirements declared in the DOP.**

Finally, one citizen indicated that more paperwork was required with regard to energy efficiency, which meant that additional experts have to be paid for their consultancy and/or certificates, increasing costs.

3.3.1.3 Impact of the Ecodesign framework on the credibility of the CE marking of construction products

The three questionnaires asked respondents if the EDD framework affects the credibility of the CE marking of construction products. The respondents could answer: not at all, to a limited extent, to some extent, to a high extent, or no opinion.

Responses

As shown in Exhibit 3.26 below, 14 out of the 37 respondents felt that the EDD framework affected the credibility of the CE marking of construction products to some extent, with a further 8 respondents rating this effect highly. Thus, 22 respondents felt that the Ecodesign framework appreciably affects the credibility of the CE marking of construction products. Less than a quarter of respondents believed the effect of the Ecodesign framework to be marginal (four 'not at all' and five 'limited extent').

Exhibit 3.26 Impact of the Ecodesign framework on the credibility of the CE marking of construction products (Number of respondents)

	Professionals	Authorities	Citizens	Total
<i>Not at all</i>	4	0	0	4
<i>To a limited extent</i>	3	0	2	5
<i>To some extent</i>	8	5	1	14
<i>To a high extent</i>	6	2	0	8
<i>No opinion</i>	4	2	0	6

3.4 Coherence questions (section 11.4. of the OPC)

3.4.1 Main coherence question

Wording and differences among the three questionnaires

Forty out of the 55 respondents answered the questions on coherence (29 professionals, nine public authorities and two citizens).

Each of the three questionnaires asked the respondents if they had experienced a range of different issues related to coherence among the nine pieces of EU legislation in question. The respondents could answer with yes, no, or no opinion.

Respondents were also invited to explain their answers, and asked to clearly indicate whether their explanation related to EU or national legislation.

Box 3.4 below shows the question from the **Professionals' Questionnaire**.

Box 3.4: **Professionals' Questionnaire** – Main coherence question (Q42P)

43. If you are very familiar or somewhat familiar with any of the above pieces of EU and/or national (transposition) legislation, have you...?

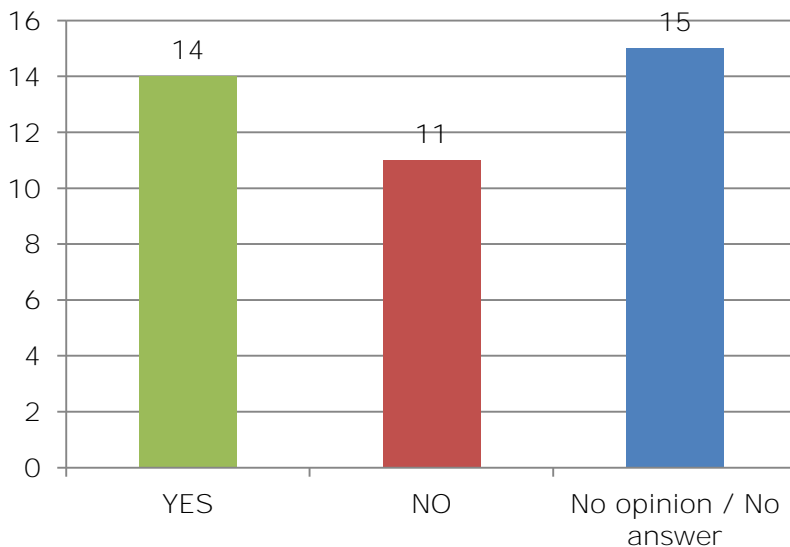
	Yes	No	No opinion
Benefitted from the harmonisation of reporting requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Experienced easier access to European Markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Identified requirements where simplification has improved implementation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Found requirements that are consistent with each other and complementary, offering a mutually supportive implementation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Spotted inconsistencies or overlaps among various requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Found concepts, notions, and definitions that are unclear and for which interpretation is difficult	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Identified obsolete requirements, i.e. requirements that are not aligned with current market reality and technical developments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Identified requirements that need to be simplified	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Identified requirements where simplification has not brought an improvement to implementation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other aspects – please specify below	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Responses

Respondents who had answered yes to the opt-out question on the section on coherence, but **who failed to answer in any of the rows below were counted as 'no opinion'**.

Benefitted from the harmonisation of reporting requirements

Exhibit 3.27 Benefitted from the harmonisation of reporting requirements (Number of respondents)



A majority of respondents (15) gave no opinion on the issue, while 14 of respondents (including **11 respondents to the Professionals' Questionnaire**) answered that they had benefitted from the harmonisation of reporting requirements, and 11 respondents (including eight respondents to the Professionals' Questionnaire) answered negatively.

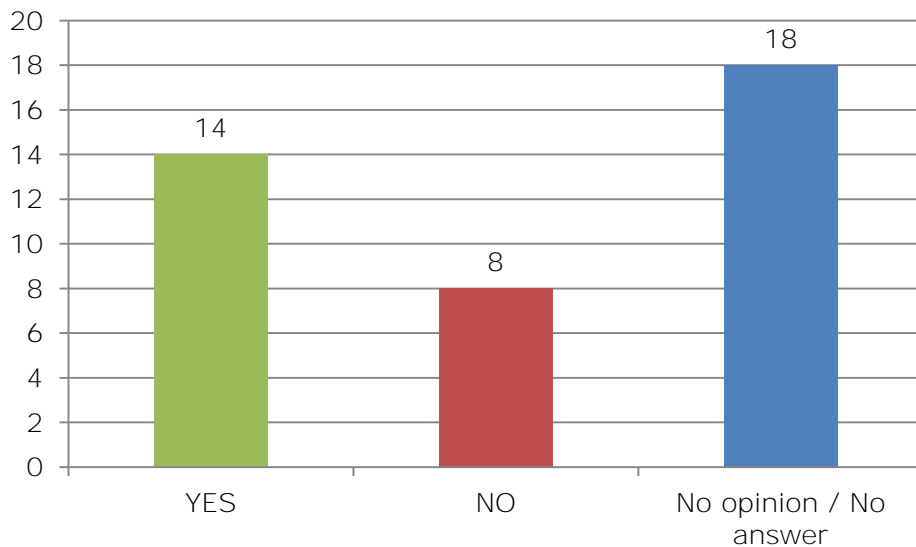
Analysis of **the stakeholders' written contributions**

A number of respondents who had answered favourably indicated that construction companies have benefitted from the harmonisation of performance calculation standards from the EPBD, or that the CPR and the reference to hEN harmonises the rules for placing products on the market across Europe. One respondent also expressed a strong preference for harmonisation over mutual recognition, as the former provides a clear framework for companies, while the latter leaves many cases unanswered.

Other respondents painted a more mixed picture, indicating for instance that while the CPR had permitted the creation of common information about product regulation, it had not delivered technical product information which could be useful **to the user or adapted to the user's** geographical situation. Another statement concerned the EED, which was considered to favour reporting that allowed a better understanding of the evolutions of Nearly Zero Energy Building (NZEB) and renovations. However, it stated that this improved reporting and implementation of the long term renovation strategies had not encouraged progress on the ground, and that timeframes with long term objectives and milestones would improve matters.

Experienced easier access to European markets

Exhibit 3.28 Experienced easier access to European markets (Number of respondents)



A majority of respondents (18) gave no opinion on the issue, while 14 respondents (including 10 respondents to the Professionals' Questionnaire) answered that they had experienced easier access to European Markets, and eight respondents (including six respondents to the Professionals' Questionnaire) answered negatively.

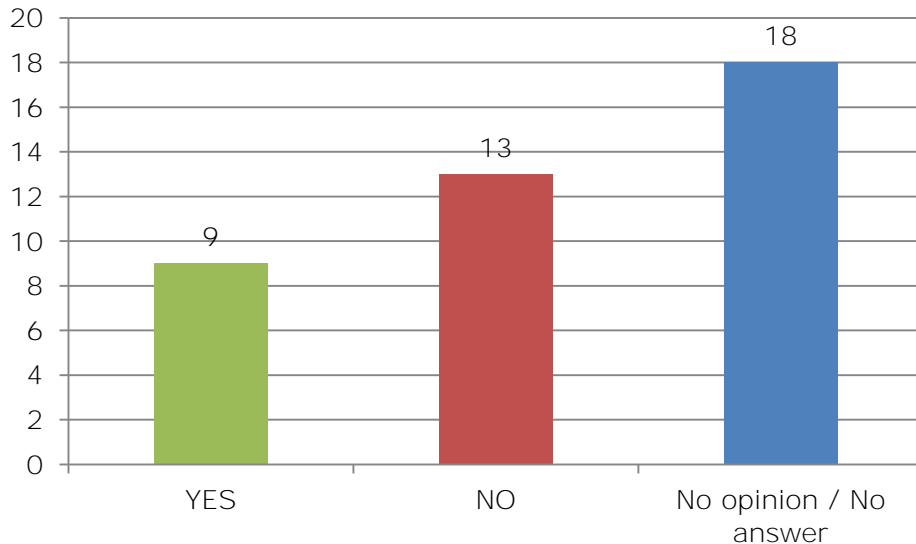
Analysis of the stakeholders' written contributions

Written contributions on this element were scarce.

One professional respondent indicated that while its company had indeed experienced easier access to European Markets, it also had experienced the opposite. Some national rules, such as the German 'Bauregelliste' or the French 'application marks', which require additional testing and documentation before a CE compliant product can be placed on the market, create barriers by adding administrative burdens, and therefore impede the free movement of construction products. Another respondent stated that easier access to European Markets was especially true in the case of individuals. Finally, one respondent indicated that harmonisation had helped by allowing similar products to be more easily obtained in all Member States.

Identified requirements where simplification has improved implementation

Exhibit 3.29 Identified requirements where simplification has improved implementation (Number of respondents)



A majority of respondents (18) gave no opinion on the issue, while 13 respondents (including nine respondents to the Professionals' Questionnaire) had not identified any requirements where simplification had improved implementation. Nine respondents (including eight respondents to the Professionals' Questionnaire) answered positively.

Analysis of the stakeholders' written contributions

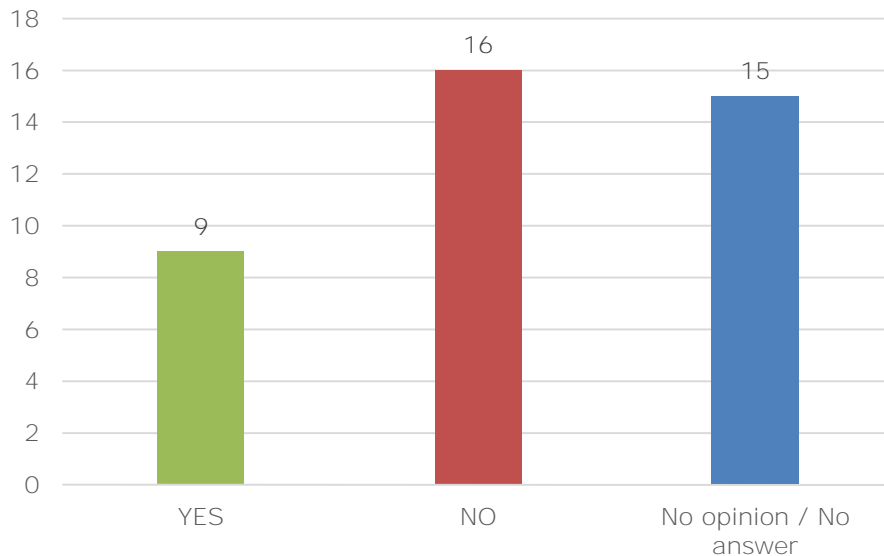
Few respondents provided written contributions for this question.

The possible use of electronic DOP (eDOP) was highlighted as a positive improvement to **implementation. One respondent also indicated that the concept of NZEB 'zero energy buildings'** has had a positive impact in encouraging the development of holistic building design focusing on very low energy demand. This respondent expressed the opinion that the same should now happen with renovation, advocating for a common vision towards 2050.

Other respondents highlighted that there are too many different qualifications for construction in the EU, and that simplified procedures under the CPR are not used, as national officials are unfamiliar with them and unsure of their implementation, effectively forfeiting their use by the industry.

Found requirements that are consistent with each other and complementary, offering a mutually supportive implementation

Exhibit 3.30 Found requirements that are consistent with each other and complementary, offering a mutually supportive implementation (Number of respondents)



A majority of respondents (16), including 11 respondents to the Professionals' Questionnaire, did not find requirements that are complementary, consistent with each other, and mutually supportive in their implementation. Fifteen respondents gave no opinion on the issue, and nine respondents (including six respondents to the Professionals' Questionnaire and four public authorities) answered positively.

Analysis of the stakeholders' written contributions

Few written contributions were provided for this question.

Two respondents offered a positive perspective on the implementation of EU law, highlighting the common framework to draw up DOP under the CPR, and the complementarities between the EPBD and the EED, with one Directive addressing the rate of renovation, while the other addresses the depth of renovation.

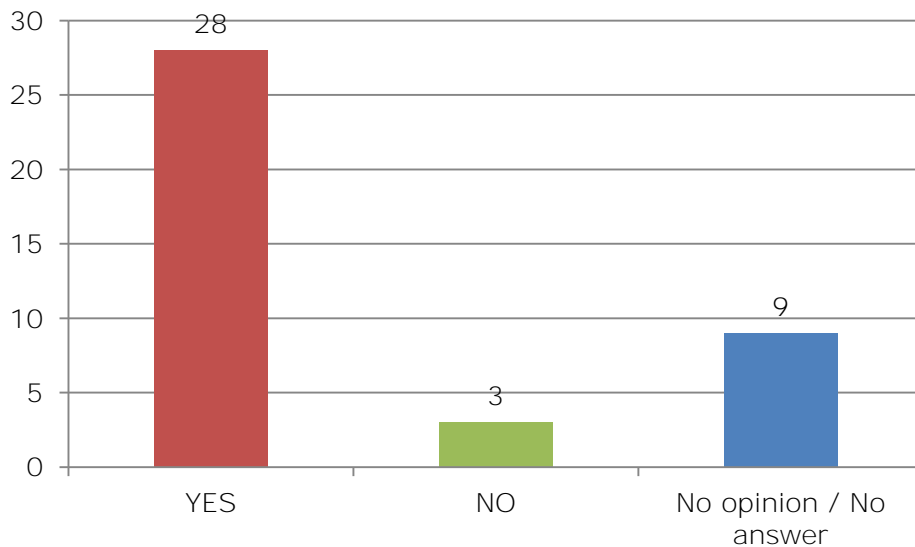
This respondent also commented on specific provisions of the EED, stating that Article 4 did not, in practice, facilitate national work to implement solid renovation programmes, and that Article 5 resulted in inconsistencies. For example, deep renovation as an alternative at the same level as behavioural change effectively encourages little real effort on the ground.

One public authority challenged the requirements of the CPR and of the EDD, stating that they lead to unnecessary burdens and do not result in mutually supportive implementation, creating a lot of difficulties for economic operators, the European Committee for Standardisation (CEN) and market surveillance authorities.

Finally, one individual highlighted the importance of subsidiarity as a possible 'best way' to achieve simplification.

Found inconsistencies or overlaps among various requirements

Exhibit 3.31 Spotted inconsistencies or overlaps among various requirements (Number of respondents)



A large majority of respondents (28), including 20 respondents to the Professionals Questionnaire and seven public authorities, had found inconsistencies or overlaps among various requirements. Nine respondents gave no opinion on the issue, and three respondents, including two respondents to the Professionals Questionnaire, indicated they had noted no such inconsistencies or overlaps.

Analysis of the stakeholders' written contributions

This statement generated the greatest number of written contributions.

General issues in the construction sector

CEN provided general comments on the construction sector, highlighting that the construction sector is governed by a large number of regulations, which, coupled with the predominantly local business structure, leads to considerable administrative burden and to a possibly high fragmentation of the sustainable construction market. Manufacturers of construction materials must meet requirements for energy performance, environmental impact, safety, health, etc., stemming from various pieces of regulations that sometimes overlap. As a consequence, manufacturers experience two major challenges when trying to comply with the legislation, i.e. the calculation and documentation of the same characteristics several times using different methods. These overlaps are also reflected in the requests for European harmonised standards in support of these pieces of legislation.

Finally, CEN and CENELEC referred to the 2013 EESC Opinion on Construction products which asked that harmonised standards under the CPR be voluntary, that requirements of the EDD, EPBD, EED, and CPR be addressed through a single declaration, that EC guidance and opinions of the CPR would include the definition of legal status, and that hENs for construction products would include all relevant information (not only addressing legal requirements) necessary for construction product users.

CPR and EDD

In terms of inconsistencies, CEN & CENELEC explained that heating appliances burning solid fuel are within the scope of both the CPR and the EDD, each with different requirements and conformity assessment procedures. Three methods are used to measure the particulate emissions from solid fuel local space heaters.

Another stakeholder explained that setting requirements in the form of minimum performance levels or generic information requirements under the EDD is not necessary, as these could be put in place by implementing existing provisions of the CPR, in particular Article 3, point 3 and **Annex I on Basic Requirements for Construction Works BR3 ('Hygiene, health and the environment')** as well as **BR 7 ('Sustainable use of natural resources')**.

A large company based in France stated that the EDD and the CPR have similar scope and implementation rules, but that consideration of construction products as independent entities is not meaningful because the benefits delivered to the performance of the building are evaluated by the overall contribution to the life cycle. This stakeholder advocated for the exclusive regulation of construction products under the CPR.

One public authority expressed its concern that overlap of the CPR with various Directives (such as the EDD and the Machinery Directive) creates a need to CE mark several times instead of declaring everything only once.

Another authority pointed to some inconsistencies between CPR and eco-design requirements, which contribute to confusion and delays in drafting and implementing European legislation via standardisation. The respondent believed that this has a negative impact on the single market.

CPR, EDD, ELD and EPBD

One professional body felt that a holistic optimisation of complete buildings would be more beneficial in terms of energy and environmental savings than a component-by-component approach that presents the risk of sub-optimisation. Construction products are intermediate products for which the usefulness of implementing acts under the EDD and ELD are highly questionable.

This stakeholder further explained that several construction products are already submitted to minimum energy performance requirements under the EPBD. In particular, those that fall under **the definition of 'building elements' and those that form part of building envelopes for which EPBD's Article 1(2)(c)(ii) and Article 4(1)2nd paragraph**, ask Member States to set minimum energy performance requirements when replaced or retrofitted. As the EPBD leads to a holistic optimisation of complete buildings in the case of new constructions and major renovations, the added value of energy labelling measures under the ELD would be limited to small scale residential renovations, where the customer is not supported by a qualified adviser who could assist him/her. Providing an example of this situation, the stakeholder pointed to the recent ecodesign preparatory study on window products, which showed the high dependency of **windows' energy performance on site-specific** parameters which cannot be taken properly into account in a generic EU-wide energy label.

A significant business federation based in France expressed the opinion that CPR, energy labelling and ecodesign Directives do not apply to the same requirements, making the information deceptive for users (e.g. for boilers and windows). Due to the labelling, the **contractor's** expertise may be called into question, although he has adapted its offer to the project, its context and environment. On the other hand, a product can be considered high performing even when it is not. The CPR forbids quality marks while other Directives, such as the Machinery Directive, allow them.

A national authority asked for requirements to be set for building envelope elements.

EPBD

One Belgian respondent explained that minimum energy requirements related to the EPBD vary across regions, imposing additional costs on contractors.

EED and EPBD

A number of Swedish professionals and one public authority indicated an overlap between the EED energy audits and the EPBD EPCs. According to these stakeholders, the relationship between demands for the energy audit in EED Article 8 and other EU legislation, such as energy certificates of EPBD, should be clarified.

Several stakeholders asked for the alignment of the different concepts of renovation.

Finally, a European federation that deals with fire indicated that the EPBD and EED lead to changes in buildings and construction products which can significantly influence safety in case of fire. According to this stakeholder, the issue of fire safety is not addressed in these two Directives, and the test methods for fire performance under the CPR are not reviewed to consider these changes.

EPBD, EED, RESD

A number of Swedish professionals and one authority pointed to overlaps and inconsistencies between the EPBD, EED and the RESD in respect of the promotion of district heating and cooling. According to these respondents, the Directives promote different forms and sources of energy:

1. The RESD promotes co-generation and district heating using a significant proportion of renewable energy through the building regulations.
2. The EED promotes co-generation and district heating that does not have to be renewable.
3. The EPBD promotes decentralised energy production from renewable energy in the building regulations and says that positive influence from district heating and co-generation that does not have to be renewable should be taken into account.

The respondents believed that when these different provisions are implemented in national regulations, the inconsistencies will become apparent and need to be addressed by the EU.

Market surveillance

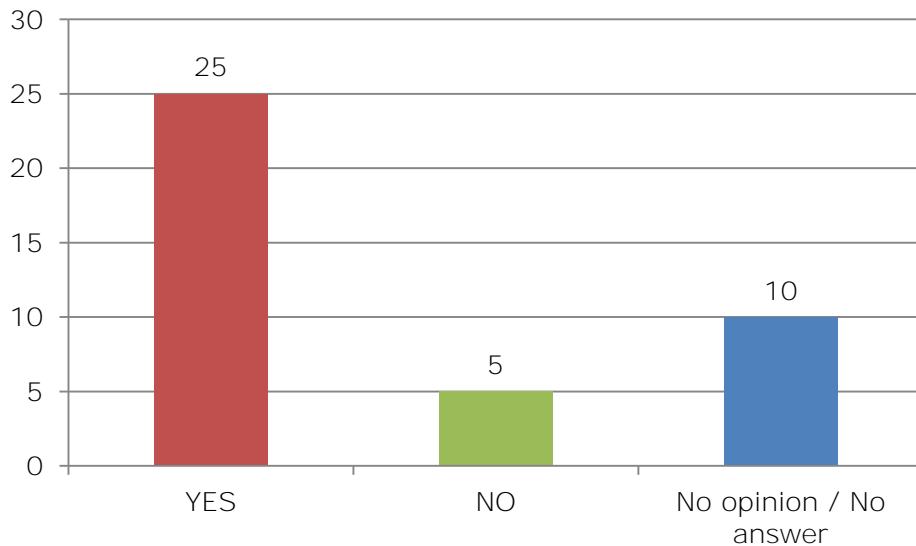
One professional body called for the harmonisation of market surveillance, stating that Member States often apply different rules for market surveillance that add administrative burden for companies operating in several markets. Instead, this respondent believed that a common EU market surveillance system would be preferable.

Other EU legislation

One Dutch public authority highlighted a problem that they are facing in relation to the CPR and the End of Waste legislation. In the Netherlands it is customary to reuse a lot of waste as building material. Both the CPR and the End of Waste legislation uses certification, which, in the case of the End of Waste legislation, guarantees the environmentally safe reuse of waste materials. This respondent indicated that if this waste material also qualifies as building material under the CPR, then the use of certification is not allowed, preventing the use of CE-marking. The respondent felt that this situation hinders a cost-effective and environmentally safe reuse of waste material, and is also in conflict with the Circular Economy Package.

Found concepts, notions, and definitions that are unclear and for which interpretation is difficult

Exhibit 3.32 Found concepts, notions, and definitions that are unclear and for which interpretation is difficult (Number of respondents)



A large majority of respondents (25), including 16 respondents to the Professionals' Questionnaire and eight public authorities, found concepts, notions, and definitions that were unclear and whose interpretation is difficult. Ten respondents gave no opinion on the issue, and five respondents, including four respondents to the Professionals' Questionnaire, had not experienced issues with the clarity and interpretation of concepts, notions, and definitions.

Analysis of the stakeholders' written contributions

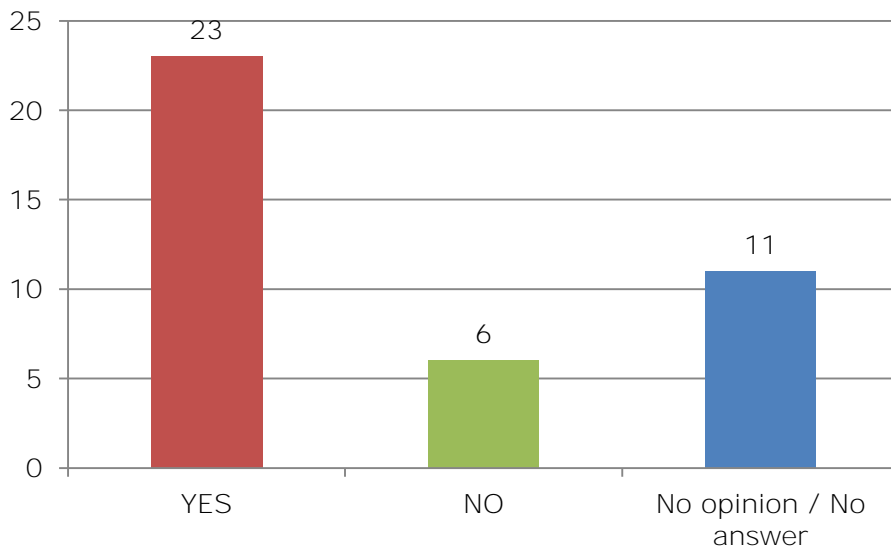
Different concepts, notions and definitions were indicated as unclear by the stakeholders.

In respect of the CPR, one stakeholder simply referred to 'unitary product' without further detail. Another indicated that the cost for testing and documentation is very high, particularly for SMEs, contrary to the intended goal of the regulation. A third professional wrote that CE marking is often considered as a quality mark and 'fit-for-use', although this is not the case. This respondent added that the exemption of CE marking for contractors who manufacture and implement construction products which are not placed in the market is unclear and leads to misinterpretation. The professional finally asked that the DOP should be exclusively transmitted to the contractor, as a professional user, and not to the final client. Finally, one national authority indicated that the definition of 'construction product' is, in itself, challenging.

On the EPBD, one stakeholder stated that guidance on the provisions on renovation was needed, in particular with regard to NZEB. In a similar vein, another stakeholder felt that the different provisions of the EPBD and the EED to increase the rate of energy efficiency renovations (deep renovation, major renovation, renovation to NZEBs), create inconsistencies when implemented in Member States. The different concepts of renovation would be best if streamlined pursuant to Article 4 of the EED, i.e. stimulation to cost-efficient energy efficiency.

Identified obsolete requirements, i.e. requirements that are not aligned with current market reality and technical developments

Exhibit 3.33 Identified obsolete requirements, i.e. requirements that are not aligned with current market reality and technical developments (Number of respondents)



A majority of respondents (23), including 15 respondents to the Professionals' Questionnaire and seven public authorities, identified obsolete requirements, i.e. requirements that are not aligned with current market reality and technical developments. Eleven respondents gave no opinion on the issue, and six respondents, including four respondents to the Professionals' Questionnaire, had not identified any out-of-date requirements.

Analysis of the stakeholders' written contributions

A number of respondents advocated for the amendment, if not complete removal, of a number of different elements:

CPR

One respondent, part of a significant European association, added that fire safety test methods within the CPR have not been revised since 2002 and are based on data from 1994 or earlier. Consequently, they are profoundly limited in their ability to predict real-world fire safety performance of modern buildings and systems used in constructions.

One stakeholder pointed out that the standardisation mandate of the CPR does not take into account the technical needs of professional users.

A public authority expressed the concern that the Commission is not publishing all new hENs but manufacturers are, however, using some of them. Another public authority believed that the current system of the CPR could facilitate more innovative products being CE marked. One respondent, working specifically in this sector, stated that CE marking for windows and curtain walling was obsolete.

EPBD

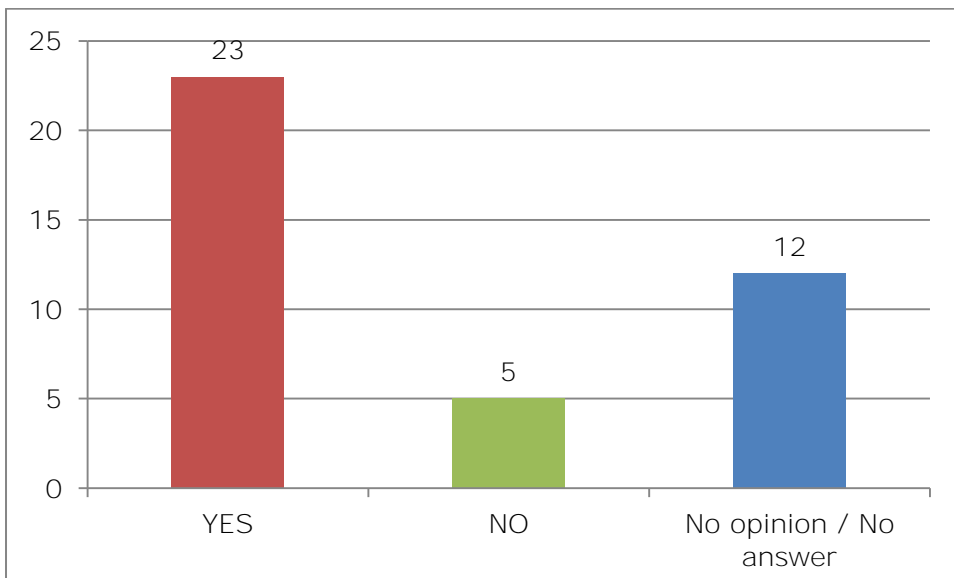
A European business federation that deals with materials explained that, under the EPBD, the setting of minimum performance requirements for building elements forming part of the building **envelope that are retrofitted or replaced are not always optimised to reach the Directive's objectives**. Member State requirements are focused on insulation, while other aspects are just as important, e.g. solar gains, natural ventilation cooling, natural light. In Member States, minimum performance requirements for windows are exclusively related to their thermal **transmittance ('U' value)**, while other thermal characteristics are neglected, which is not scientifically correct and risks increasing costs.

One respondent, focusing on energy efficiency, highlighted that cost optimisation has been used in all Member States as a way of assessing the optimum level and possible gaps in building codes. While this was particularly useful for those Member States with less progressive requirements, it does not necessarily trigger development towards NZEBs. This stakeholder asked for benchmarks to be strengthened and reduced from 15% to 5%.

A public authority stated that Articles 14 and 15 of the Directive are obsolete, but gave no further detail or explanation.

Identified requirements that need to be simplified

Exhibit 3.34 Identified requirements that need to be simplified (Number of respondents)



A majority of respondents (23), including 16 respondents to the Professionals' Questionnaire and six public authorities, identified requirements that need to be simplified. Twelve respondents gave no opinion on the issue, and five respondents, including four respondents to the Professionals' Questionnaire, had not identified any requirements for which simplification was needed.

Analysis of the stakeholders' written contributions

A number of respondents advocated for the amendment – if not complete removal – of a number of different elements:

CPR

One respondent stated that the DOP needed to be revised, and limited only to the material properties. Otherwise, the issue of double DOP requirements for the product and the construction site arises. A public authority also stated that the duplication of information between the DOP and CE marking could be simplified.

CEN and CENELEC pointed out that the implementation of the CPR creates additional problems by introducing further burdens and contradictions, in particular with Regulation (EU) N° 1025/2012 on European Standardisation, regarding the voluntary nature of European Standards. They described the procedure for drafting hEN as unnecessarily complex, with a long delay before they can be used by the construction sector due to a heavy and insufficiently defined administrative process. One public authority further stated that mandatory CE marking creates problems relating to the availability of hENs and their translation, and there is inconsistency among articles.

On the other hand, CEN and CENELEC described the procedures for introducing classes and thresholds as unnecessarily burdensome, leading experts to choose between removing classification and thresholds or facing a long bureaucratic process to implement technical agreements. Another respondent further asked for the deletion of the obligation of delegated acts to determine thresholds and technical classes on products.

One stakeholder held the strong view that the year of the harmonised technical specification should not be required in the CE marking. Another respondent, working specifically in this sector, stated that CE marking for windows and curtain walling needs to be simplified.

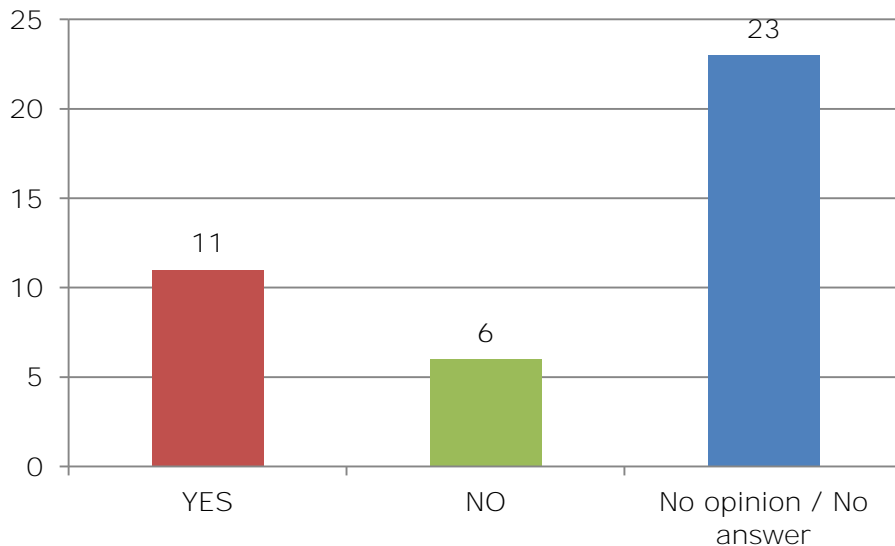
EPBD

Two national business federations clearly set out that the requirements for energy efficiency improvement recommendations to be incorporated into Energy Performance Certificates (EPC) should be removed. They stated that consultants who draft EPCs are already struggling with the effort to furnish a more or less precise and reliable energy performance indicator for the certificate. In addition, no single consultant has the wide-ranging expertise needed to give useful recommendations on energy efficiency improvements.

According to another national business federation, the EPBD's unnecessarily high requirements for the renovation of buildings have a dampening effect on the renovation of existing buildings.

Identified requirements where simplification has not brought an improvement to implementation

Exhibit 3.35 Identified requirements where simplification has not brought an improvement to implementation (Number of respondents)



A majority of respondents (23), including 18 respondents to the Professionals' Questionnaire, did not have an opinion on the issue. Eleven respondents, including nine respondents to the Professionals' Questionnaire, identified requirements where simplification had not improved implementation, while six respondents (including two respondents to the Professionals' Questionnaire) had not identified any requirements that had failed to bring an improvement through simplification.

Analysis of the stakeholders' written contributions

One public authority pointed to Articles 5 and 37 of the CPR as requirements where simplification had not improved implementation.

One respondent, working specifically in this sector, answered that CE marking for windows and curtain walling had not improved implementation.

A national business federation working with concrete asked for simplification of the information provided under CE marking, explaining that not all categories that accompany the markings are relevant for the customer and that the repetition of information in the CE marking and the DOP is unnecessary and confusing for customers. In the end, this respondent stated, it only creates a bureaucratic burden for companies.

A significant national business federation stated that the notion of simplified documentation is not a simplification. Taking the example of an SME, this respondent explained that it would be **very difficult to prove the equivalence to a standard adapted to a major manufacturer's quality system**. This respondent asked for the simplification of the CPR to allow a direct reference to the Basic Requirements, allowing SMEs to bring indirect proofs (such as company qualification, laboratory test, use of cascading documents, etc.).

Finally, two respondents - one large company and one European business federation - provided the same written submissions, stating that the use of hEN as a regulatory tool to comply with the CPR can slow the process of updating and publishing CEN standards. Here, the respondents expressed their concerns with this inefficiency, as the standards also provide information about a product that is useful to both manufacturer and client.

Other aspects – please specify below

A total of four respondents answered 'yes' to other aspects, including three respondents to the Professionals' Questionnaire and one public authority. Three respondents answered 'no', with 33 expressing no opinion.

Analysis of the stakeholders' written contributions

A national construction federation explained that the administrative procedure for the publication in the Official Journal of the European Union of hENs, and the period covering both former and **new standards, are too long. This respondent also indicated that the hEN's statute** (mandatory/voluntary) and access (free of charge/to pay) are not clear enough.

One respondent, part of a significant European association, asked for principles for fire testing and classification systems to be formally incorporated into the CPR. Expanding on this point of view, the respondent added that the CPR should include smoke toxicity in its harmonised standards by specifying that consideration of the smoke hazard includes the consideration of both opacity and toxicity. In addition, the CPR should have an additional clause after clause (18) clarifying that harmonised horizontal standards used to fulfil the requirements of the CPR must be given a fitness test every five years to ensure that they are still applicable to any new construction products on the market. This respondent believed that these steps would preserve the established link between small-scale tests and product performance in relevant reference scenarios.

The same respondent added comments in relation to the EPBD, explaining that existing provisions do not take fire safety planning into account, in particular for buildings that accommodate a large number of people at one time, and host people with reduced escape capabilities (e.g. schools, hospitals), as well as commercial buildings where citizens are at a higher risk in case of fire.

One respondent stated that many construction sector professionals do not have a good knowledge of applicable laws, policies and regulations, and this challenge must be addressed by all stakeholders.

Finally, one public authority stated that the use of FAQs creates problems by allowing for interpretation without providing further information.

