7 key messages on the EU Taxonomy draft Second Delegated Act

Feedback on proposed criteria around the transition to a circular economy for the construction and renovation of buildings
KEY MESSAGE 1

Add material reduction thresholds in line with the Level(s) framework

Such a metric could be weight of material per square metre, built or renovated (kg/ m² or kg/ m³).

**Level(s) framework L2.7.**

L2.7. Format for reporting the results of an assessment: The core outputs for Bill of Quantities are:

- Total quantity of materials used (tonnes and % split for ten predefined material fractions).
- Quantities of material used split by building aspect (tonnes and % split for shell, core & external elements)
- Cost of materials used split by building aspect (€ and % for shell, core & external elements)
- Normalised total material (in kg/ m²) and,
- Normalised total cost (in €/m²).

**Level(s) framework L1.2.**

L1.2. Efficient building shape and form: Minimise the surface area to volume ratio of a building and individual residential units, as well as its height, in order to improve material efficiency and minimise energy use.

A more compact building form may use more than 20% less materials in construction and consume 20% less energy in the use stage.

The intensity of use of a building also influences its material efficiency. This can be measured on a temporal basis (e.g. the proportion of time the space is used during the day or week) or a functional basis (e.g. use of the resource invested in the building per household, person or workstation instead of per m²).
This should include some level of detail on the methodologies and approaches used to determine quantitative metrics.

As a minimum, life-cycle Global Warming Potential is publicly disclosed, for example in an official database, at national or EU level, designed for the purpose, e.g. the EU Building Stock Observatory (BSO).

But so long as such databases are not available, these data can also be disclosed on the company’s website, or in databases operated by national associations tracking building stock data.
KEY MESSAGE 3

Climate Change Mitigation criteria need to be enhanced

Add the following climate change mitigation Do No Significant Harm (DNSH) criterion: “The building renovation complies with the applicable requirements for major renovations. Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30%.”

Significant harm to climate change:
Buildings account for close to 40% of EU emissions and do significant harm to the climate (IPPC Special Report on Global Warming of 1.5°C, IPPC Sixth Assessment Report).
Most buildings that stand today will still exist by 2050 and energy retrofitting rates of 2.5% to 3.5% every year until 2050 are needed (State of Climate Action 2022).
Any renovation that fails to reduce a building’s energy demand is a missed opportunity (Climate Action Tracker, 2022).

Interconnectivity:
Incentivising a renovation that is materially efficient but does nothing to improve the energy performance of a given building is not in line with widely agreed definitions of circularity, nor with a systemic approach to sustainability.

Policy development:
The Climate Delegated Act does not reflect a significant contribution to climate change mitigation anymore, considering policy, technical and market advancements.

Expert advice:
The Platform on Sustainable Finance recommended that a renovated building also meets a minimum improvement in energy efficiency.

Time lapse:
Delegated Act will come into force as of January 2024 and is unlikely to be updated before 2027.
KEY MESSAGE 4

Clarify definitions of primary and secondary materials

Introduce a definition, or a reference to existing definitions, of the terms “primary raw materials” and “secondary raw materials” as there are no clear definitions in the market yet.

**Consideration 1**

**Primary raw materials**, products or goods, is a good sold for production or consumption just as it was found in nature. Primary raw materials include gravel, sand or natural stone.

**Secondary materials** include building components prepared for reuse (see footnote 75), or waste materials that are recycled (see footnote 76) and can be used in manufacturing processes and construction projects, instead or alongside, ‘virgin’ raw materials.

**Consideration 2**

Align to ISO14021 Second edition 2016-03-15 definitions of "recycled content", "reduced resource use", "reusable and refillable", and "renewable material".

**Consideration 3**

Consider potential issues of downcycling construction materials, which often have substantive embodied carbon that should be kept in use.

**Consideration 4**

Definitions should be aligned and cross-referenced between the EU Taxonomy legal texts, the “European Critical Raw Materials Act” and Taxonomy FAQs from December 2022.
KEY MESSAGE 5

Reconsider primary material thresholds to include re-use potential

Re-evaluate the proposed thresholds, which currently do not incentivise the sourcing of re-used materials in a manner the European Commission intends.

Waste Hierarchy:
Proposed thresholds do not prioritise the re-use of materials and products (over recycled ones) as per the EU Waste Hierarchy.

Lacking incentive:
We doubt that the market will source re-used materials and products over recycled ones. Sourcing re-used building components and products is the more difficult route for construction and renovation projects and will therefore most likely not be the chosen option to comply with the proposed set of primary raw materials thresholds.

Mix-up of terminologies in underlying study:
Table 1.20, page 46-47, of the criteria’s underlying study “Modelling the Renovation of Buildings in Europe from a Circular Economy and Climate Perspective” informing the proposed thresholds is, or seems to be, based on recycling rates only.

The study refers to “1.4.8 Use of materials with high recycled content (3.1)” and refers to “building materials and components by mixing “virgin” and “secondary” materials”.

Thus, the term “Technical maximum secondary material use” in the study should in fact be called the “Technical maximum recycling rate”.

Re-use technical potential:
From a technical standpoint, it is possible to source re-used building parts up to 100% for certain materials.

Thus, sourcing re-used building components enables lower maximum thresholds of primary materials.
Our network has observed several usability issues with proposed DNSH criteria, namely the reference of EU legislation, directives or frameworks or unclear terminology. We invite the EU Commission to re-assess proposed criteria and to consider standards already established in countries and/or the market.

**Specifically:**

- **Water**: remove exemption for residential buildings, OR, clarify that multi-use buildings are not exempted (e.g. Q.122- page 53 Taxonomy FAQs from December 2022).

- **Pollution**: Clarify how to prove compliance with Appendix C and the formaldehyde & VOC contents, as very different approaches are emerging in the market.

- **Biodiversity**: The LUCAS survey does not provide site-specific information and it is unclear how to interpret data along the criteria “low - moderate – high” soil fertility. The Delegated Act should consider national level methodologies for categorising the fertility quality of soils (low - moderate - high, or similar).

We also echo the analysis by the Platform on Sustainable Finance and its Recommendations on Data and Usability, 2022, namely Fig. 15 p.51.
Life-cycle GWP thresholds are needed under the Climate Delegated Act.

We welcome the addition of Whole-life Carbon reporting requirements as part of a significant contribution to the transition to a circular economy. We call for the introduction of a similar requirement under the Climate Delegated Act, with the addition of specific maximum carbon thresholds.

Policy developments need to be reflected in the EU Taxonomy:
- Proposed introduction of the Zero Emission Building definition and reporting requirements on life-cycle GWP into the Energy Performance of Buildings Directive (EPBD)
- Development of the Commission’s Whole Life Carbon (WLC) roadmap
- National policy regulating the WLC impact of buildings exists in Denmark, Finland, France, the Netherlands and Sweden.

Front-runner companies should also be expected to show a high level of ambition by disclosing the life-cycle GWP of their buildings, but also by keeping in line within maximum life-cycle GWP thresholds.
About WorldGBC’s Sustainable Finance Taskforce

The urgency and complexity of financing the transition towards a fully decarbonised and sustainable built environment calls for drastic actions. The built environment is of a fragmented and heterogeneous nature rendering large-scale and timely financing of sustainable actions difficult. In that context, WorldGBC invites all stakeholders of the built environment, including financial institutions, to be ahead of the transformation wave.

WorldGBC’s Sustainable Finance Taskforce convenes key stakeholders to enhance collective learning and progress, advises to build capacities amongst the industry and influences sustainable finance practices and policy implementation at a larger scale. We invite you to join us on this journey.

Find out more about our work on sustainable finance at https://worldgbc.org/sustainable-finance/.

Contact

Julie Emmrich
Sustainable Finance Lead
jemmrich@worldgbc.org

Stephen Richardson
Director, Europe
srichardson@worldgbc.org