

## WorldGBC Sustainable Finance factsheet series

# Nearly Zero Energy Buildings (NZEB)

## Implementation of the EU Taxonomy in the built environment

October 2023

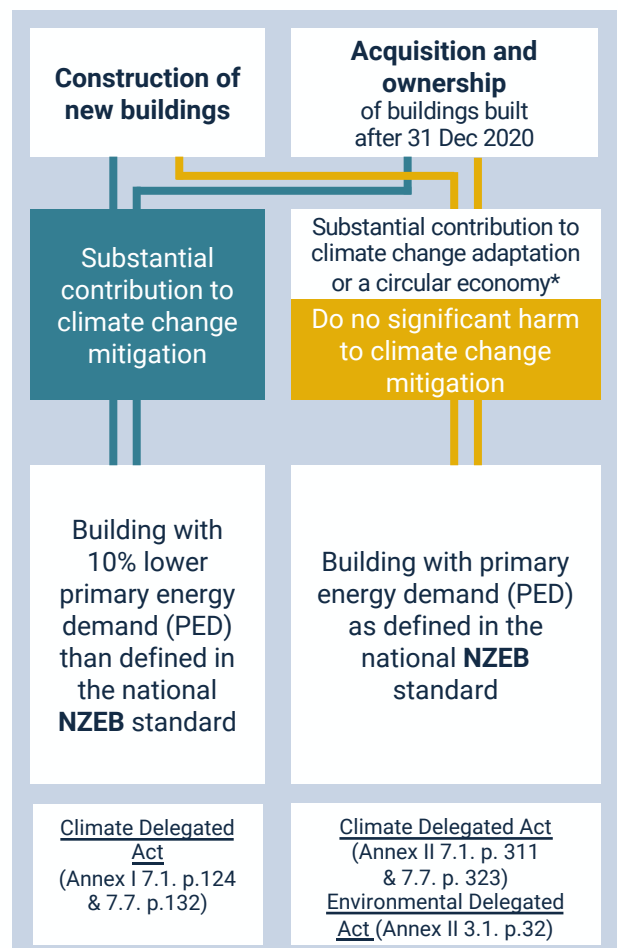
### The link between NZEB and the EU Taxonomy

The EU Taxonomy for the construction, acquisition and ownership of buildings requires the disclosure of a building's primary energy demand (PED) as per the Energy Performance of Buildings Directive (EPBD) of 2010.

The EPBD does not include specific energy thresholds, but mandates Member States to provide a national interpretation of an NZEB.

Companies and financial institutions that wish to, or are required to, report their EU Taxonomy-alignment for the buildings they construct, acquire or own, need to do so in line with the PED levels set out in the NZEB definitions of each of the Member States where those buildings are located.

This can pose significant challenges, especially to organisations with economic and financial activities across several EU countries or beyond.



\* No substantial contribution criteria for a circular economy for the acquisition and ownership of buildings

# Implementation challenges

## Lack of comparability

NZEB standards are based on divergent methodologies, broadly split between absolute or relative energy requirements (e.g. to a reference building) and based on different PED and floor space measurement approaches. Thus, the energy performance thresholds (PED/m<sup>2</sup>) aren't directly comparable across countries.

## Lack of accessibility

NZEB requirements are hidden in long and technical building codes and standards, often in legal language, not easily accessible (e.g. the German standard is behind a paywall) and not available in English.

NZEB standards comprise several metrics, of which PED is only one, often rendering the extraction of the PED parameter difficult.

Data on energy performance is also not readily available, prohibiting progress to report against NZEB standards.



## Double counting of renewable energy

In many Members States, NZEB standards allow for the use of onsite, or even offsite renewable energy to comply with the Primary Energy Demand thresholds. The EU Taxonomy, however, separates out investments into renewable energy and energy efficiency investments while the PED thresholds only refer to energy efficiency investments.

This can lead to a risk of double counting renewable energy when complying with the NZEB standard and reporting to the EU Taxonomy and therefore skew EU Taxonomy percentage alignment.

## The requirements under the EPBD are not in line with those of the EU Taxonomy

The concept of NZEBs are more comprehensive than the reference to Primary Energy Demand thresholds that the EU Taxonomy sets.

The EPBD recast is also likely to replace NZEB with a new standard – zero emissions buildings (ZEBs), suggesting NZEB will soon be an outdated standard.

# Recommendations

- **National governments should publish relevant NZEB PED levels**

Until updated criteria for buildings are released, policymakers should disclose which PED levels are in line with the EU Taxonomy to ensure that the EU Taxonomy is practically implementable and understood by the industry.

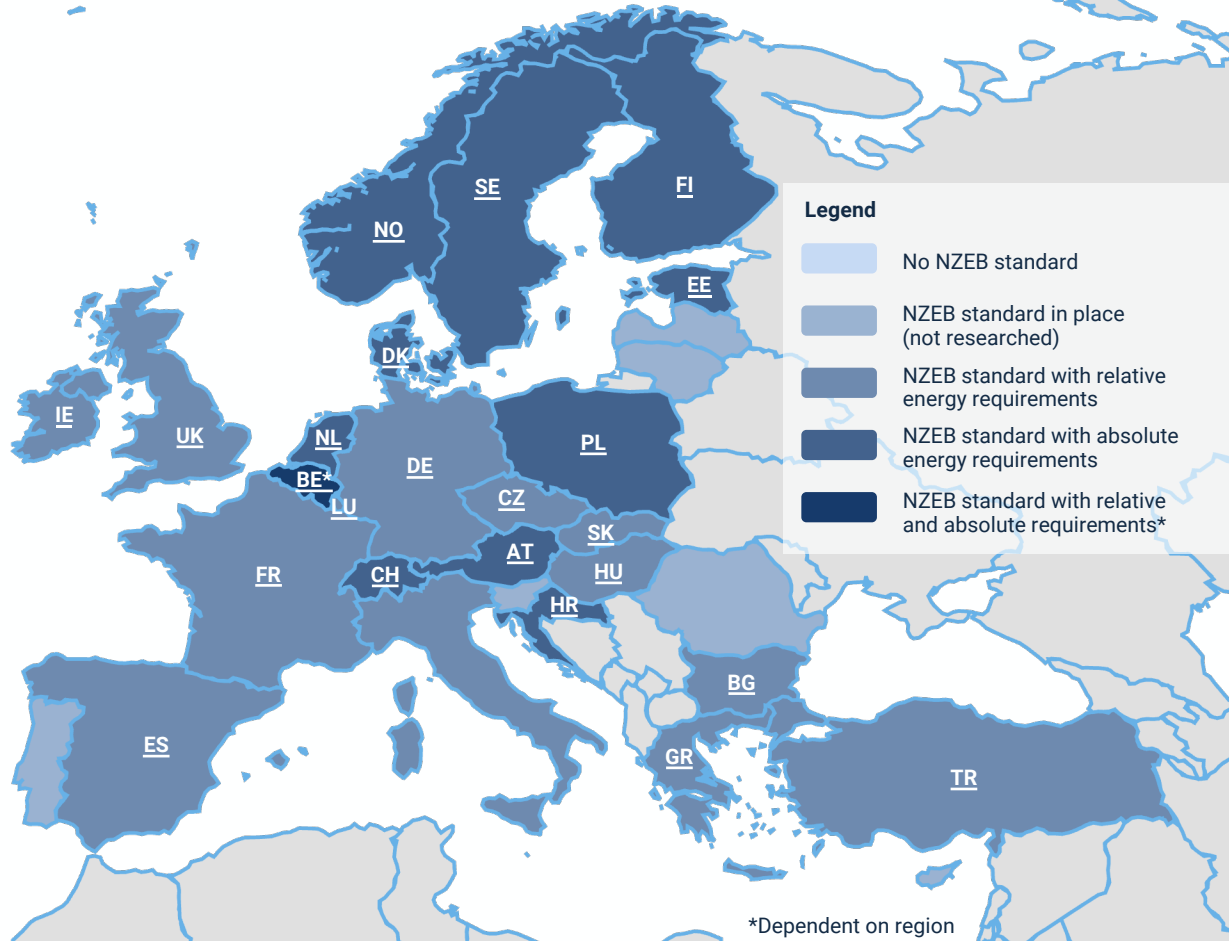
- **Harmonise ZEBs**

Ensure a more harmonised approach of the new standard – zero emissions buildings – to ensure a smoother usability of the EU Taxonomy in the future.

- **Expand embodied carbon requirements under the Taxonomy to all buildings**

Currently only buildings with 5.000 square metres or more are required to disclose life-cycle global warming impacts of the building they construct. All buildings should disclose these impacts, which include energy/carbon other than from the operational use of a building, such as the embodied energy from constructing a building. All buildings should report these impacts for a substantial contribution to climate change mitigation.

# NZEB standards across Europe



## About us

The World Green Building Council (WorldGBC) is the largest and most influential local-regional-global action network, leading the transformation to sustainable and decarbonised built environments for everyone, everywhere.

Together, with over 75 Green Building Councils and industry partners from all around the world, we are driving systemic changes to the built environment.

WorldGBC's Sustainable Finance Taskforce aims to unlock finance flows into the transition towards a sustainable built environment.

The EU Taxonomy working group enhances consensus and collective learning from across the value chain, builds capacities amongst the industry and advocates for an ambitious yet practically implementable framework.

## Our partners

This factsheet was developed in partnership with the European Public Real Estate Association



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