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INFORMATION

From:	General Secretariat of the Council
To:	Budget Committee
Subject:	Council written replies to questions raised in the Budget Committee on 9 March 2023

Delegations will find attached the Council's written replies to questions raised in the Budget Committee meeting on 9 March 2023.

Written replies to the questions raised in the Budget Committee on 9 March (19.04.2023)

> **1) Could the Secretariat set out in more detail the measures taken to save energy in the Council buildings and their effects?**
>
> **2) Would loans be a useful tool to fund environmental improvements to the buildings of the Council and European Council?**
>
> **3) Could the GSC provide further information about the purchase of TEMPEST equipment by Member States for the Secure Videoconferencing project?**

1) Could the Secretariat set out in more detail the measures taken to save energy in the Council buildings and their effects?

The General Secretariat of the Council (GSC) has been making efforts to reduce its environmental impact since 2010, including reductions in its consumption of gas and electricity. The GSC has an Environmental Policy in line with EU EMAS legislation[1]. Furthermore, the GSC follows the environmental legislation of the Region of Brussels-Capital – "PLAGE" (*Plan Local d'Action pour la Gestion Énergétique*) - which establishes a methodology and precise goals based on the EU Energy Efficiency Directive (2012/27/EU) of 25 October 2012.

Between 2010 and 2021, despite the addition of a third building (the Europa Building) to its campus, the total normalised primary energy[2] consumption of the Council's buildings fell by 5%. Taking the JL building on its own, consumption was reduced by 35%.

In line with the local PLAGE obligations, the Action Plan for all the Council buildings approved by the GSC Environment Steering Committee sets the objective of a further reduction of 9.5% in primary energy consumption for the JL and Europa Buildings[3] between 2019 and 2025. This action plan foresees upgrades or the replacement of various technical installation such the replacement of fluorescent lamps with LED lighting. The Action Plan is currently being validated by the Region.

In response to the sharp increase in energy prices in 2022, and following the adoption of Council Regulation (EU) 2022/1369 of 5 August 2022 on coordinated demand-reduction measures for gas, the GSC took further measures to reduce gas and electricity consumption – in particular to reach the 15% voluntary target of reduction in gas consumption during the winter period (August 2022-Mars 2023).

These measures were set out in a note to the Budget Committee on 4 October 2022 (WK 13242/22). They include a reduction of the ambient temperatures the office spaces, excluding the meeting rooms where the usual temperature was maintained, and a limitation on the fresh air drawn into the air conditioning and ventilation systems.

With these supplementary measures in place the target of 15% has been exceeded. In comparison to the average of the same period in the years 2017-2021, the reduction of gas consumption for all Council buildings at the end of February 2023 was -25.9% (- 4 600 MWh), the highest savings being achieved in the Europa building (-50.4%), followed by JL (-21%), Lex (-11.2%) and the Creche (-9.9%).

On 30 March 2023, the Council adopted a regulation that extends the member states' voluntary 15% gas demand reduction target, for one year. In line with this extension, the GSC will continue to apply the above-mentioned supplementary energy-saving measures over next winter.

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[1] EMAS Regulation 1836/93 and its revisions, Regulation (EC) No 761/2001 ("EMAS II"), Regulation (EC) No 1221/2009 ("EMAS III"), Commission Regulation 2017/1505

[2] Primary energy is the "raw" form of energy available before conversion into a useful energy, such as electricity or heat. The "normalisation" of the energy consumption allows to even out the weather effect, and to calculate the consumption under average conditions

2) Would loans be a useful tool to fund further environmental improvements?

Action will be needed if we are to improve the environmental performance of the buildings of the Council and European Council. The Justus Lipsius building, as the biggest and oldest building in the portfolio, will need comprehensive renovation or replacement if the Council is to play its part in meeting the targets established by the Green Deal (climate neutrality by 2050 and 55% reduction in greenhouse gases by 2030) and if it is to comply with other legislation at EU and national level. The LEX building is more recent, but will need similar action in due course. Appropriate funding options will be essential.

As mentioned above, incremental improvements have been made to the JL in line with the availability of funds with positive results. Some further work is planned, but without more fundamental improvement in insulation, technology and equipment, it will not be possible to reach the required standard.

The potential energy savings from a thorough renovation are considerable and, depending on the level of ambition, reductions could be between 50% and 80% of the current energy consumption of 50 million kWh per annum. Such energy savings would bring a corresponding reduction in annual energy costs.

Renovation could reduce the total carbon footprint of the JL between now and 2060 from 295.000 tonnes CO_2 equivalent to between 190.000 and 160.000 CO_2 tonnes equivalent, including the impact of the renovation itself (annual CO_2 emissions could fall to 1.565 CO_2 tonnes, depending on the options taken). Acquisition of a new building and demolition of the old would result in a higher carbon footprint over this period than renovation.

In addition to environmental concerns, other systems in the JL are close to the end of their lives. The building layout predates many changes in security standards, work practices and meeting organisation that have taken place since it was first designed.

In financial terms, the JL building is fully depreciated, apart from recent asset value created by renovation of the restaurants and some meeting rooms. From this low base, the substantial work involved in a thorough renovation would result in a corresponding enhancement of the building's book value.

Any change is hypothetical at present and any renovation will require consultation and agreement with the Member States. However, any such project would need to be phased for operational reasons and could take between 10 and 15 years to complete including the time needed for design and regional planning approval.

If paid upfront at the time of construction, the cost of a major renovation centred on environment goals would be beyond what is currently available in the Council's annual budget. At the typical renovation costs per square metre for buildings of this age, and with a surface of more than 200.000 m², the total cost could range between 50% and 100% of the Council's entire annual budget. It is highly improbable that such a project could be funded from underspending as was the case with the Europa.

<u>For such projects, the option of loan financing therefore has considerable attractions</u>:

- With lengthy works that could overlap with two MFFs, a loan would make sure that funds are available to make "lumpy" payments in line with the progress of the major works, while mitigating the budget impact by spreading repayments evenly and steadily over 20 or more years during which time they could be partially offset by savings in energy costs.

- In terms of environmental impact, while the current wording of the Financial Regulation limits loans to the acquisition of buildings, making investments to increase the environmental performance of an existing building is considerably greener than acquiring a new-build. It would be unfortunate if the text in the FR pushed the institutions towards a less green and more costly option.

- In terms of the impact on the Institution's assets and financial position, the renovation of a depreciated asset like the JL would be equivalent to investing in the acquisition of a new building, since the investment made would feed into a corresponding increase in the value of the Institution's assets in the accounts. In this respect, taking a loan to renovate would be no different from to taking a loan to acquire a new building.

Environmental Background

The European Green Deal provides a framework for action on buildings. The Commission has launched an initiative "A Renovation Wave for Europe – Greening our buildings, creating jobs, improving lives" aiming at doubling the annual energy renovation rates of both private and public buildings in the next 10 years[4]. The Renovation Wave identifies 3 focus areas: 1) Tackling energy poverty and worst-performing buildings, 2) Public buildings and social infrastructure, 3) Decarbonising heating and cooling. An initiative launched in October 2020 called the New European Bauhaus provides a forum to share ideas on climate-friendly architecture.

In the aftermath of the Russian invasion of Ukraine and the rise in energy prices, new pieces of the EU legislation have been adopted or revised, in a view to step up even further the efforts across EU to lower the energy consumption. They also target the energy performance of buildings:

1. A provisional agreement among the member states was reached in October last year as regards the revision of the Energy Performance of Buildings Directive. Although the proposal is still in negotiation with the European Parliament, member states agreed, among others, that by 2030 all new buildings should be zero-emission, and that existing buildings should be transformed into zero-emission buildings by 2050[5].

2. On 10 March 2023, the Council and the Parliament agreed on the energy efficiency directive with an objective of reducing final energy consumption at EU level by 11.7% in 2030. Among other measures, and in a view to lead by example, the Council and the Parliament agreed to a specific obligation for the public sector to achieve an annual energy consumption reduction of 1.9%. In addition to this, member states would be required to renovate each year at least 3% of the total floor area of buildings owned by public bodies[6].

The European Commission has set out for itself an objective to become a frontrunner as a green public administration. One of the main objectives of its Office for Infrastructure and Logistics (OIB) Strategic Plan 2020-2024[7] is the reduction of the Commissions carbon and ecological footprint consistent with the objectives of the EU Green Deal, notably a climate-neutral Commission by 2030. In the first place and in compliance with PLAGE, the Commission has set out the objective of diminishing its energy consumption by 10% by 2025 for its building portfolio. In order to fulfil such an ambitious goal, carrying out technical studies and comprehensive energy audits is necessary to evaluate the potential of in-depth renovations/replacement of technical installations based on a cost-benefit analysis.

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[4] https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/renovation-wave_en
[5] ‘Fit for 55’: Council agrees on stricter rules for energy performance of buildings - Consilium (europa.eu)
[6] Council and Parliament strike deal on energy efficiency directive - Consilium (europa.eu)
[7] https://commission.europa.eu/system/files/2020-10/oib_sp_2020_2024_en.pdf

3) Could the GSC provide further information about the purchase of TEMPEST equipment by Member States for the Secure Videoconferencing project?

In June 2021, Coreper endorsed the launch of a secure videoconferencing (VTC) project to equip the President and Members of the European Council, the European Commission, the Permanent Representations and Ministries of Foreign Affairs with a videoconferencing solution capable of handling EU Classified Information.

Most Member States indicated that it would not be possible to construct shielded enclosures for the videoconferencing endpoints in capitals. The GSC therefore offered to provide a supply of TEMPEST equipment (Telecommunications Electronics Material Protected from Emanating Spurious Transmissions) for these Member States. The total financial participation from Member States is estimated at 440.000 EUR (compared to 3,1 million EUR investment costs for the system to be borne by the Council budget). The highest share per participating Member State is estimated at 25.500 EUR. It is planned to issue invoices in the second half of 2023 and the first half of 2024.

<u>More detailed information is contained in Council docs 5745/23 and 6545/23</u>.