FIEC Conference 2023
Rome
(Background note)

EUROPEAN CONSTRUCTION INDUSTRY FEDERATION

"EU Election 2024 – FIEC Messages to the Candidates"

12/5/2023 - Rome

(draft as 4th May 2023)

In view of the EU elections that will take place in 2024, it has been decided to focus the conference that will take place on 12/5 in Rome on the preparation of some FIEC messages to the candidates.

The intention is to take the opportunity of the physical presence of colleagues from a large number of our member federations to exchange about the current situation and developments and identify the main issues/requests that we would like to put forward to those who will lead the main EU institutions during their next mandate 2024-2029.

For this purpose and in order to stimulate the discussions, we will test for the first time a new format of conference, which, after 2-3 more general interventions/presentations to set the scene, will be based on 3 parallel breakout sessions on 3 different themes, namely :

1. **The energy and ecological transition**
2. **Enterprises and Market**
3. **Cities of 2050**

Each one of the breakout sessions will be chaired by a high-level expert with the assistance of a member of the FIEC staff.

The conference will be opened by a keynote speech by **Michel Barnier**, former Minister, former EU Commissioner and Chief Negotiator for the Brexit on behalf of the EU, who will illustrate how the Covid pandemic and the latest geo-political changes have impacted the EU structures and economy, as well as the political developments at the national level, and what influence they may have on the EU elections in 2024.

At the end of the conference Michel Barnier will also give us his preliminary impressions/feedback on the messages/requests that will have been highlighted in the 3 breakout sessions.

The following notes provide an initial indicative overview of the issues to be developed in each breakout session. They are not exhaustive and aim at setting a certain framework and at guiding the brainstorming discussions.

The outcome of the discussions and the main messages will set the basis for a "FIEC Manifesto" to be published in autumn 2023. If needed, these messages will be complemented by additional ones following an open consultation process among all our member federations.

The main objective is to ensure that the future elected EU leaders understand the needs and challenges of the construction industry and that they are adequately taken into account in their priorities and policies.

Breakout session 1
"The energy and ecological transition"

Chair : Enrico Giovannini *(former Minister for Sustainable Infrastructure and Mobility and now Scientific Director of the Italian Alliance for Sustainable Development (ASviS))*

Description and impacts on the construction ecosystem

The **drastic effects of climate change** and the rapid transition to a **fossil-free energy system** – accelerated by the current geopolitical situation – are pushing the EU's society and industry to become climate-neutral and climate-resilient.

To meet the legal obligation of **climate neutrality** by 2050 and to cut net greenhouse gas (GHG) emissions by at least 55% by 2030 compared to 1990 levels, the European Commission has launched the "**Green Deal**"[1], a package of policy initiatives aiming at setting the EU on a path to a green transition while also supporting the transformation of the EU into a prosperous society with a modern and competitive industrial base. The **built environment** has a special role in the green transition: As buildings and infrastructure are both contributors to and affected by climate change, the construction ecosystem is called to decarbonise its activities (**climate change mitigation**) and protect them (**climate change adaptation/resilience**).

On the one hand, the "Green Deal" has large potential for the construction industry. First, it is a **business opportunity**. The construction industry is an enabler for reaching the climate objectives by, e.g., improving the energy and sustainability performance of the building stock, or by promoting circular construction that considers the effects of construction activities throughout their lifecycle.

At the same time, the 'green' transition will be particularly challenging for the ecosystem due to the **costs of low-carbon or circular construction** and of energy-efficient renovations, which are expected to increase through green policies. Without effective financial incentives for clients and companies, the shift to more sustainable construction risks not being affordable. It is therefore essential to enable clients (public and private) to purchase greener construction through the massive roll-out of **sustainable finance** and sustainable public expenditure.

[1] The Green Deal encompasses, inter alia, the Circular Economy Action Plan, the Renovation Wave, the Biodiversity Strategy and Climate Adaptation Strategy, the Soil Strategy, the EU Climate Law, the Fit for 55 package (Emission Trading System, Carbon Border Adjustment Mechanism, Energy Efficiency Directive, Energy Performance of Buildings Directive), the Sustainable Products Initiative (Construction Products Regulation), the Nature Restoration Law, the Soil Health Law, the Transition Pathway for Construction and the Whole Life Carbon Roadmap for Construction, the EU Taxonomy for Sustainable Finance, or the Corporate Sustainability Reporting Directive.

Other current policy trends (e.g., nature restoration targets, the sustainable management of soils) could also have a considerable impact on construction companies' activities.

Energy-efficient renovations

Buildings are responsible for approximately 40% of energy consumption and 36% of CO2 emissions in the EU. Currently, about 35% of the EU's buildings are over 50 years old and almost 75% of the building stock is energy-inefficient, while only 0.4-1.2% of the building stock is renovated each year. The increase of the share of renewable energy in the EU's energy mix, the renovation of existing buildings and the construction of new low-carbon buildings has the potential to lead to significant **energy savings**.

In addition to improving the energy efficiency of buildings, renovation can also support the **deployment of technologies** such as solar panels, heat pumps, and smart energy management systems, and can contribute to making buildings accessible for disabled people.

However, accelerating the rate of renovations will require a **high volume of materials** and **skilled workers**, and an increase in administrative procedures, **financial support** and instruments for homeowners, especially low-income households. The situation also differs from country to country and the needs and possibilities for energy efficiency renovations are not the same in the North of Europe as in the South.

At EU level, the **Energy Performance of Buildings Directive (EPBD),** the EU's main legislative instrument promoting the improvement of the energy performance of buildings within the EU, is currently being revised with the aim to substantially reduce greenhouse gas emissions and final energy consumption in the building sector by 2030, and to set a long-term vision for an EU building sector that is climate-neutral by 2050. In this respect, the recast EPBD aims to **increase the rate** and depth of renovations of energy-efficient buildings.

While FIEC supports the overall objectives of the Commission and believes that investments in energy efficiency can **stimulate the construction industry**, it has advocated for **more flexibility for Member States** in defining their path towards the 2050 objective according to their national and local specificities, for **realistic implementation deadlines,** and for **adequate financial support.**

Circularity and life cycle thinking

Construction and renovation activities account for around half of the weight of Europe's extracted resources and for over a third of the EU's total waste generated per year. The increase in the rate of renovations is likely to increase the **consumption of resources** and the **generation of waste**. Therefore, it is imperative for the sector to operate in a more resource efficient way and to address every part of the life cycle (not only contractors, but also designers, manufacturers, and local/national authorities) while also becoming more **digital.** Implementing

more circular approaches to construction will also increasingly address **whole life cycle emissions** (often also referred to as the life-cycle Global Warming Potential of buildings) and the **'embodied' carbon** of manufacturing and construction processes.

Sustainable finance

Low-carbon construction comes with higher costs when compared to the more "traditional" one. The current trend at EU level is to help investors, issuers etc., 'channel' their investments into 'environmentally friendly' activities by using **harmonised classification and reporting systems**. In 2020, the EU has launched the "**EU taxonomy**" with specific criteria that an economic activity must meet to qualify as environmentally sustainable. Although not all companies that do not comply with this system will be cut off from financing immediately, it can be expected that more and more will be **held accountable** for their overall impact on the environment in the medium and long term.

Possible points for discussion

- *How can we ensure that the 'green' transition becomes a business opportunity for construction and not a "cost driver"?*
- *What are the best ways to decarbonise construction?*
- *How can we ensure that the built environment becomes climate-resilient?*
- *How can we reconcile the expected increase in the consumption of resources and the generation of waste with environmental and sustainability constraints?*
- *What role for research and innovation?*
- *How to ensure that companies have the adequate capacities to implement such transition in the foreseen time schedule ?*
- *….*

Breakout session 2

"Enterprises and market"

***Chair : Tim-Oliver Müller**, Director General of Bauindustrie*

More investment in construction

In recent times, the EU has set several ambitious climate objectives. These include achieving climate neutrality by 2050 and energy-efficient renovations. In addition, while the EU has one of the densest transport infrastructure networks in the world, a large part of this infrastructure is now ageing and coming under increasing pressure due to a rise in traffic. The revision of the trans-European transport network (TEN-T) guidelines is already a positive step in terms of addressing the missing links in the trans-European transport network and upgrading it.

The construction sector will play a crucial role in helping the EU to meet its ambitious climate and transport-related objectives, but this comes with a cost. Thus far, investment in construction projects has been lacking and this has given rise to numerous problems. For example, the chronic the lack of investment in maintenance has led to the deterioration of Europe's transport infrastructure, not only putting its users at greater risk, but having significant environmental impacts. It is therefore a top priority to convince decision-makers at both national and the EU-level to increase investment in the construction sector and to convey the benefits this will have on the environment and the economy as a whole.

Public procurement

The current legislative framework setting the rules for public procurement consists of the three EU directives adopted in 2014 (2014/23/EU on concessions, 2014/24/EU on "classic" procurement and 2014/25/EU on "utilities" procurement). These rules aim at ensuring that public procurement procedures are transparent and fair but still have several shortcomings. The construction sector should be active to ensure that these shortcomings are addressed in a future revision of the Public Procurement Directives which should take place in the next Commission cycle.

The construction sector should also be attentive to other developments in the field of public procurement. Importantly, several strategies that have been recently or will be published by the Commission foresee a great deal of initiatives regarding public procurement (e.g., Green Public Procurement). In addition, despite the possibilities offered by the EU Directives, the lowest price remains too often the main criteria for awarding public contracts. There are however increasing initiatives for taking additional criteria into consideration.

Competition

The activities of Chinese State-Owned construction Enterprises (SOE) in and around the EU have been increasing over the past decade. Recent examples of public works contracts awarded to Chinese SOEs (e.g., in Croatia and Sweden) for prices that seem to be abnormally low from the perspective of a private company and against which private European companies cannot compete highlight the need for a comprehensive EU strategy in favour of a level playing field and fair competition.

The EU has only recently strengthened its toolbox to tackle unfair competition by third-country companies, particularly China, through the adoption of the International Procurement Instrument (IPI) and Foreign Subsidies Regulation (FSR) but it remains to be seen whether the EU's toolbox is sufficient to restore a level playing field in the EU Single Market. FIEC is currently exploring possibilities for action under the FSR whose aim is to tackle distortions in the internal market caused by foreign subsidies.

Challenges facing the construction sector

The Covid-19 pandemic caused significant disruptions to global supply chains, with several contractors experiencing delays in the delivery of products. The ongoing war in Ukraine has further strained the supply of certain raw materials (e.g., steel) in Europe and price increases for construction materials are being observed across all EU Member States. At the same time, a sharp hike in energy prices has also been observed across the EU since 2021 with the impact of higher prices usually being passed on to contractors by energy-intensive industries.

Several contractors in Europe are having serious difficulties coping with these developments, which put many at risk of not fulfilling contractual obligations or being able to participate in new tenders. Sustained high prices and supply chain disruption also have a negative impact on production. To add to the problem, in several Member States, contracts do not take into sufficient account price increases and clients continue to enforce completion deadlines.

Possible points for discussion

- *A revision of the Public Procurement Directives is likely to occur during the EU's 2024-2029 political cycle. What aspects does the construction sector consider need to be revised?*
- *What measures can be taken at the national and EU-level to mitigate adverse impacts of higher prices and supply-related issues on the construction sector?*
- *Several FIEC members agree that public contracts should be adapted and should include adequate price revision mechanisms for ongoing contracts and adjustment clauses to the completion deadlines. Nevertheless, the EU has limited competences in this field. What is the best strategy for FIEC to lobby on this point?*
- *Which is/are the most adequate strategy/ies to tackle unfair competition by Chinese SOEs?*
- *Is the EU's toolbox to tackle unfair competition from third country companies sufficient? (e.g., Should FIEC push for a Trade Defense Instrument (TDI) for construction services?)*

Breakout session 3

"Cities of 2050"

***Chair : Mrs. Paola Malabaila**, Vice-President of ANCE*

This session is aimed at brainstorming about the long-term vision that we want to develop regarding our future cities, the ways we want to build them and the ways we want to live in them.

There are currently some striking projects of future cities growing out of the sand in the middle of Saudi Arabia or the Negev desert (Israel), for instance. Are they our new benchmark or another dystopia?

In any case, for this reflection, we need to take into consideration **climate change**, as well as the **demographic evolution**, and to a smaller extent, as it is less predictable, the geopolitical context.

A growing demographic pressure

The world's population is growing and ageing. This means that our needs are growing, new needs appear and, altogether, people also wish to improve their living standards.

We also know that, in the future, most of the population will be living in cities (Est. 9.7bn in total population by 2050. Roughly 56% of the world's pop. already lives in cities. Est. to rise to 68% by 2050).

What type of urbanism in the future?

This question touches upon several aspects.

- Will we build spread out cities on cheap land OR concentrated cities like Hong-Kong?
- Will we keep going with building "specialised" neighbourhoods (i.e. business, living, commercial, leisure, etc.) OR do we want to further promote the trend of "mixed" neighbourhoods, bringing workspaces closer to living spaces?

What about the overall city infrastructure?

This question is covering – amongst others – the issue of **mobility**. What type of mobility do we want to promote in the future?

- Will we keep the private car as our main mobility tool?
- Will we promote pedestrian style cities (like in Louvain La Neuve-Belgium)?
- Will we go for a mixed mobility?

When addressing infrastructure, we also need to look at **water**, **energy,** and **waste** management.

Obviously, due to climate change, access and management of (drinking) water will become more and more important. We might need to ensure greater stocks, to avoid leaks and wastage as much as possible, etc. At the same time, some regions become more sensitive to floods and/or stormy weather. This means that the available "buildable" land will be more restricted and/or we will have to envisage the necessary protective infrastructure (like in the Netherlands). In both cases, this will have a financial impact on construction costs.

We are also undergoing a very important energy transition. However, we still have to decide whether we want to go for a 100% electric future or whether we want to promote a more balanced energy mix. Also, it is not clear yet to what extent the cities of the future should promote the individual or the collective production of energy.

The management of waste is linked to the circularity issue, including in the construction sector where it is taking pace. However, we can observe that recycling does not mean reduction of waste, nor the extension of the products' life cycle. For instance, the more we recycle paper and plastic packaging, the more of these packaging there are to recycle…

In the construction sector too, we should think of what the circular economy really means for us. Do we want to promote a 100% recycling target for construction materials and a drastic reduction of the use of natural resources / raw materials? Do we want to promote a "zero waste" policy, together with an extension of the life-cycle of buildings and building products? In the end, shall we aim at building future-proof / climate-proof cities (built "once for good") or rather "pre-fabricated" cities, with buildings like Lego, which can be easily put down, changed and adapted to the constant climate and demographic evolutions?

Present and future cities are and will remain **digital and connected**. Again, the infrastructure has to be adapted and efficient while preserving the citizens' health at the same time (cf. debate over 5G). The digital infrastructure has an impact – and is becoming part of – on all other infrastructure (i.e. mobility, public facilities, etc.).

How to feed the cities?

Considering the growing demography, food production to feed the population is mostly done in remote regions, according to mass production techniques.

We observe however a recent trend of "relocating" some food production inside cities, with vegetables gardens on roof tops, for instance. Could that be the future mainstream trend?

We can see that this has been a natural individual trend – sometimes even encouraged by public authorities – in places where food supply has been somehow disrupted (examples can be seen in former sovietic countries).

Depending on the chosen approach, it implies an adaptation of the built environment and of the green spaces.

All of what precedes will have an impact on our choices regarding the construction process and the end-product.

How will we build?

- Shall we promote (demolition and) re-/new construction against the (light to deep) renovation which is currently promoted?
  Indeed, putting the acceptance issue aside, the former would provide many benefits: standardisation of construction, more (indoor) pre-fabrication, economies of scale, greater energy efficiency of buildings, etc.
- Shall we promote "local type" construction against a "global type" construction? That is, shall we reduce our dependencies to global supply chains and go back to more local raw materials as it was in the past?
  Moreover, in some cases, we can observe that "local-type" construction might be more climate-proof (i.e. efficiency and rationality of ancient techniques?)
- Considering climate change, circularity, etc. what will be the new ways of building? The new materials?
  What new (raw) materials will we use? Will they be affordable, sustainable and healthy? (e.g. bad experiences in the past with asbestos or lead, for instance)
- Or will we go for quick and cheap as it has often been the case in the past: after wars, because of high demographic pressure, etc.
- …

Who will be the builders?

The current situation is that the construction industry suffers from a significant shortage of (skilled) labour. We know that, due to the ageing workforce, lack of attractivity of the sector and ongoing green and digital transition (which requires new profiles/new skills), it might get even worse.

This challenge also represents an opportunity as it can make the construction industry more attractive, especially towards young people who have a more digital profile.

Considering these various factors, several scenarios could be possible. We could envisage that the future builders will mostly be autonomous machinery created/operated by engineers. This would also imply a safer working environment. This could also mean the disappearance of low and medium skilled workers, which might not be a desirable effect…

Or, on the contrary, will construction remain a cheap labour-intensive industry, mainly? (with the same labour rights and H&S issues)

Another aspect concerns the mobility of the workforce, which is currently very high. Shall we aim at further promoting this trend of highly mobile workers (coming more and more from far away) or, together with the industry transformation, shall we try to "relocate" the workforce. This might have a positive impact on the general working environment in the sector.

Possible points for discussion

- What type of urbanism in the future?
- What type of mobility to we want to promote in the future?
- Do we want to promote a 100% recycling target for construction materials and a drastic reduction of the use of natural resources / raw materials? Do we want to promote a "zero waste" policy, together with an extension of the life-cycle of buildings and building products?
- In the end, shall we aim at building future-proof / climate-proof cities (built "once for good") or rather "pre-fabricated" cities, with buildings like Lego, which can be easily put down, changed and adapted to the constant climate and demographic evolutions?
- Shall we reduce our dependencies to global supply chains and go back to more locally sourced materials as it was in the past?
- Climate change, circularity, etc. … - what will be the new ways of building? The new materials?
- Shall we aim at further promoting this trend of highly mobile workers (coming more and more from far away) or, together with the industry transformation, shall we try to "relocate" the workforce? Will construction remain a cheap labour-intensive industry, mainly?