



A NATIONAL PERSPECTIVE ON SPAIN'S BUILDINGS SECTOR A ROADMAP FOR A NEW HOUSING SECTOR

Executive Summary

The opportunity to refurbish and upgrade Spanish homes is sizeable, economically feasible - with appropriate regulatory support - and can go a long way towards reforming and refocusing Spain's buildings sector which is badly impacted by the financial crisis and failing to meet the environmental challenges from Global Change. This working group¹ ("GTR") believes that 10 million Spanish primary homes built before 2001 can be transformed into low-energy, low emissions, modern housing delivering benefits to owners and occupants, and creating 110,000-130,000 stable, long-term direct jobs in a vibrant New Housing Sector ("NHS") from 2012 to 2050.

This report provides the background, structure, methodology, analysis and action plan for Spain to launch and support a new sector (NHS) capable of deploying up to Euro 10 billion a year invested in refurbishing 250-450,000 homes. These budgets will be funded by contributions from private savings, banks, refurbishment providers, ESCOs, energy companies and the State in appropriate proportions, and each receiving commensurate returns, aligned with the energy and CO2 savings, social benefits and modernization upgrades entailed in each individual or collective project.

This report provides the background, framework, methodology and analysis needed to structure an Action Plan which is capable of delivering this new sector, its benefits and transformational impacts on the existing Spanish building sector. Without a new vision and the challenges of the NHS, it is unclear how an existing Spanish building sector – dedicated purely to new buildings construction – can survive. The old business models and practices espoused by today's construction sector in Spain can be transformed through reorganization along sustainable lines into a new housing sector which meets the environmental challenges of a modern society. The strategic national vision outlined here through the definition of a roadmap which defines the NHS and its Action Plan will redirect the buildings sector to new and sustainable longterm goals of:

- Delivering Spain's residents' access to sufficient quality housing;
- Through the creation of public and private economic activity and employment;
- Sustainably compliant within Europe's 2020-2050 framework, reducing Spain's ecological and resource footprint and protecting its biodiversity.

GTR firmly believes that a new legislative framework is required for the NHS to efficiently deliver an estimated Euro 300 billion of economic savings² to Spain by 2050 alongside a substantial 80% decarbonization of the existing housing stock. The central pillars of this new legislative framework are outlined within the Action Plan contained in this report. We acknowledge that without legislative support the NHS may slowly emerge from the components of some of its existing stakeholders in an inefficient and hap-hazard manner. Without a clear, investible, new legislative framework, GTR believes that the result is a sector which is sub-scale, lacks vision and would inevitably

¹ See Introduction Section for GTR members and history

² Cumulative projected energy savings and emissions reductions valued at European market prices from 2012-2050

lead to Spain falling well short of its aspirations to create a resource efficient economy in the context of Europe's 2020 ambitions and beyond.

As Europe redoubles its drive to promote energy efficiency through the proposed framework of a new Directive for 2012, Spain can and must harness the skills, creativity and energy of the stakeholders in its buildings sector to lay the foundations for a long-term, sustainable and valuable NHS. In this context, and to help Spain rise to the challenge facing every Member State, GTR has developed an innovative new structure and methodology to help unlock the potential in Spain's existing housing stock: Using the best available data for Spanish homes, the GTR team has been able to segment and then sub-segment the market into ten 'hotpot' groups covering 75% of primary homes. Homes within each "hot-spot" share contextual characteristics that are important for their refurbishment like age, urban setting, number of floors and decision making body (family or community) and have been further classified into three sub-segments by energy intensity. Sensitivity analysis and modeling has then allowed GTR to map financing solutions and rates of progress onto each "hot-spot" to build a picture of the whole NHS through aggregating specific lines of activity through a detailed Action Plan.

The results of GTR's analysis are both significant and opportune: Through the provision of a solid and supportive policy framework consisting of facilitating legislation, direct subsidies, low cost finance, fiscal benefits to refurbishment and value to CO2 emissions reductions, Spain can target the deep retrofit of 10 million (64%) of its pre-2001 primary residences by 2050 to reduce their energy needs by up to 80% and hot water energy requirements by 60%. The total investment required to deliver these energy and emissions savings is estimated to be in the order of Euro 160 billion, which GTR believes will also draw-in an additional 50% of non-energy related complimentary cosmetic investment in property upgrades delivering a total sector whose aggregate size to 2050 is Euro 240 billion. Notably, GTR projects the investment needs of the NHS at the same size, Euro 240 billion, as Spain's recently approved Strategy Plan for Infrastructure and Transport (PEIT) 2005-2020. These investments and related economic activity will reposition Spain's building sector – as the NHS – and stimulate and support the numerous industries which supply that sector by improving the country's energy balance, emissions profile and resilience.

GTR's Action Plan will create a new and productive economic sector (the NHS), create long-term sustainable jobs, save energy and emissions and create the pathway for Spain's residential buildings sector to evolve in line with Europe's 2020 and 2050 targets. While the establishment of the appropriate policy and regulatory framework for the NHS is non-trivial, along with the needed transformation of the existing buildings sector, GTR believes that the economic, social and environmental benefits are worth the up-front policy and organizational work. Moreover, GTR believes that the opportunity cost to Spain of maintaining high unemployment and an inactive buildings sector is almost double the required economic stimulus recommended by GTR to create this new sector.

Spain has a unique opportunity in 2012 to demonstrate that it makes economic sense through a new policy framework to save energy and emissions from buildings. GTR is convinced that Spain has the dynamism, skills and resources required to undertake this challenge and that once stimulated the NHS will build momentum as homeowners see the value of renovation especially in the context of rising energy costs and the clear economic value of their reducing CO2 emissions. The GTR Action Plan presented here provides the direction and principles for the creation of a New Housing Sector which will be the tool through which Spain enters a new energy paradigm which is extending throughout Europe.

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