

"Strategy for the sustainable competitiveness of the construction sector and its enterprises" (COM (2012) 433 final)

High Level Tripartite Strategic Forum, 8th meeting

17 June 2020

#Construction2020

Welcome! Please note that the event is recorded.

- Please make sure your microphone is <u>muted</u> unless speaking. If the moderator has given you the floor, you will be unmuted by the host.
- Avoid any background noise (typing, kitchen equipment etc.) and check your Internet connection.
- Please use the chat function to make a contribution. To send your message, select <u>"All Participants</u>" and indicate your full name and organisation.

Opening remarks by the chairwoman: Introduction and set-up

Ms. Fulvia RAFFAELLI, Head of Unit Circular economy and Construction, DG GROW



Introducing the Construction 2050 Alliance

Mr. Riccardo VIAGGI (CECE), Member of the Construction 2050 Alliance



Presenting the Construction 2050 Alliance

Riccardo Viaggi CECE Secretary General HLF Construction 2020 17 June 2020



Foundation paper in summer 2019 Construction 2050 Building tomorrow's Europe today

46 European Organisations

Unprecedented collaboration effort



Our shared goals & targets

A targeted approach to construction: our unique nature requires a unique approach.

An adaptable policy framework to address the industry's transformation.

A holistic approach for coherent and balanced policies and legislation.

A strong partnership between EU institutions, Member States and construction stakeholders.



A work-programme for the Alliance – 2020/2021

Construction: the solution to Europe's recovery

The contribution of the built-environment to the EU Green Deal

The human factor in construction

Relaunching the Construction 2020 Strategy

EU Data Strategy: a construction approach

Communication Strategy of the Alliance





Construction and the Built Environment: State of play

Mr. Gwenole COZIGOU, Director Sustainable Industry and Mobility, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW)



The Renovation Wave in support of a green recovery

Ms. Inge BERNAERTS, Head of Unit, C4 - Energy Efficiency: Buildings and Products (DG ENER)



Reflections from Stakeholders

- To indicate that you want to speak, please write your full name and organisation in the chat (select "all participants").
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COVID-19, its impact on construction and how to revitalise the sector

Mr. Piero PETRUCCO (FIEC) & Mr. Eugenio QUINTIERI (EBC), Members of the Construction 2050 Alliance





High Level Forum – 17 June 2020

Piero Petrucco, FIEC Vice-President





The asymmetric impact of Covid-19

Activity in the construction sector in Member States: 2020 (compared to 2019)

- Austria and Netherlands : -1%
- Germany : -3%
- Belgium -7,5% and Sweden -8%
- France and Italy : -20%
- Spain : -25% to -30%
- Significant concerns for 2021 and beyond, as regards both private and public investment (this is also true in the less impacted countries)





My personal experience - I.CO.P. S.p.A

Family company operating for more than 50 years in the field of construction, foundations and special works, 400 employees, turnover of over 155 million EUR in 2019

- During the crisis :
 - Difficulties in the supply chain and in the mobility of our workers
 - Lack of protective equipment for our workers
- > <u>Now</u> we feel the **financial impact** of the crisis, :
 - Reorganise our worksites and construction process according to the requirements of the health protocols and of the health and safety restrictions
 - Additional costs (approx. 10%) and reduced productivity
 - Need for liquidity in order to pay our suppliers





EU Recovery Plan

Complexity of the proposed EU Recovery Plan

- The Staff Working Document describes the impact on the sector but the proposed fundings do not reflect it correctly
- Need to promote a dialogue among the relevant stakeholders (EU Institutions, national authorities, companies, etc.) in order to make best use of instruments and funding available
- Need to identify and clarify how to channel investment towards construction, also through measures for businesses, including capitalisation measures
- The Italian 110% Superbounus as a good example of fiscal leverage





CONSTRUCTION IS THE SOLUTION INDUSTRY

YOUTH EMPLOYMENT RESOURCE EFFICIENCY SOURCE SEFFICIENCY SOURCE SEFFICIENCY

ENERGY PRODUCTION STANDARDISATION BINFRASTRUCTURE INNOVATION INNOVATION

COVID-19, its impact on construction and how to revitalise the sector

Mr. Piero PETRUCCO (FIEC) & Mr. Eugenio QUINTIERI (EBC), Members of the Construction 2050 Alliance







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- Activity drop: short-term and long-term
- Additional Health and safety costs
 - e.g. CAPEB estimates the additional costs related to health measures at between 10% and 20% of the daily cost
- Equity losses: between 113 and 188 billion euros (EC Staff Working Document)
 - After tourism, construction (17.4%) is the most affected ecosystem to suffer equity losses





• EU budget proposals

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- Substantial amount (MFF 1100 billion + Next Generation EU 750 billion euro)
- Focus on the green and digital transition of the European economy
- No specific focus on any sector but leaves marge of manoeuvre to the Member States when it comes to priorities

• The built environment can be prioritized? Yes!

- Huge investments needs both basic and for the green transition, high percentage of equity losses due to the crisis, high investments needs in terms of social infrastructure
- A clear target to "at least double the annual renovation rate of existing building stock"
- Clear references to energy efficiency of buildings, renovation, social and transport infrastructure in the different programmes





We need to act immediately with a EU concerted action!

• European Commission

- Carry out a proper assessment of funding opportunities for the built environment in the EU budget proposals
- Immediately establish a platform with Member States to assess national initiatives and make sure they prioritise the built environment in all needed plans guide on the Recovery Plan opportunities

Construction 2050 Alliance

Cooperate with the EC in the assessment of the different programmes and dialogue with MSs (with the support of their national associations)

Some initial ideas

RECOVERY

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- **Recovery and resilience facility:** Ensure that the Renovation Wave is a priority in the national recovery plans within the European Semester and the National energy and climate plans (NECPs)
- **REACT-EU:** follow national demands for the fund in 2020, 2021,2022 to highlight construction priorities
- Just Transition Fund and public loan facility: ensure that construction priorities are included in the just transition plans
- InvestEU and Solvency Support Instrument: engage with Member States to make sure that requested project financing targets construction priorities



Will it be enough?

We need to make sure that the funds will reach companies and citizen

- Technical assistance and guidance (e.g. one-stop-shops)
- Monitoring banking activities and ensure access to funding

What is happening with current EU liquidity programmes? SMEunited survey (May 2020) on access to loans

IMPACT

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- Highly complicated application procedures and for limited administrative capacities hampering a fast roll-out of support measures
- Banks use the same approach towards risks as before the crisis (many rejections or higher interest rates between 6 and 10%)
- Banks do not use public support for additional loans, but to restructure existing ones.
- Additional fees asked by banks, which can be up to 20% of the loan



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Thank you for your attention!



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Transparency Reg. : <u>09256701147-51</u>





The EU's Recovery Fund to support Europe's economy

Mr. Erik CANTON, Deputy Head of Unit B.2 - Assessment and benchmarking of national reforms (DG ECFIN)





Corporate liquidity and insolvency risk: an assessment in the context of the recovery strategy

The EU's Recovery Fund to support Europe's economy

Erik Canton

DG Economic and Financial Affairs

European Commission

High Level Tripartite Strategic Forum, 8th meeting, 17 June 2020



- 1. The Commission's recovery package proposals
- 2. Assessment of financial distress, liquidity shortage, and equity needs



1. The Commission's recovery package proposals

2. Assessment of financial distress, liquidity shortage, and equity needs

2021 GDP remains below level expected in Winter Forecast



- 1. The deepest recession since (at least) the Great Depression
- 2. An incomplete and uneven recovery
- 3. Unemployment will rise, though policy measures should limit the impact
- 4. Necessary policy measures will cause public deficits and debt to rise
- Exceptionally large downside risks: -10.5% in 'longer lasting' scenario and -15.5% in '2nd wave' scenario

New EU Budget proposal and Recovery Instrument (27 May)

- Expanded EU Budget ("MFF") for 2021-2027 of <u>€1.1trn</u> (7¾ % of EU GDP)
- Recovery Instrument of <u>€750bn</u> (5¼ % of EU GDP)
 - Titled "New Generation EU"
 - A borrowing facility at the EU level created by raising the max. ceiling for Member States' contributions to the EU budget
 - Will be used mainly for supporting public investment through grants and backto-back loans to Member States
- Recovery Instrument channels all proceeds raised on markets back into MFF programmes

Investment needs	Equity repair needs	Sovereign financing needs
min. EUR 1.5trn	EUR 720bn to EUR 1.2trn* *Stress scenario	EUR 1.7trn additional in 2020 & 2021
New needs Investment gap caused by deep recession, esp. private firms (€850bn in 2020/21)	Working capital and equity erosion due to financial losses Aims - prevent insolvencies of viable companies - restore firms' ability to invest	
 Pre-existing needs Additional investments needed for the Twin Transition (€1250 bn in 2020/21) some overlap with new needs ⇒ €1.5 trillion is conservative estimate 	Assessment Simulated shocks consistent with Spring Forecast - Analysis using firm-level balance sheet data - Without support, 30% - 45% of firms will exhaust financial buffer by year-end	

Addressing the needs: Three pillars



Solvency Support Instrument

• New instrument to support equity of viable companies which suffer due to the CoVid-19 crisis.



To be used for:

Equity support to viable companies from all economic sectors to address solvency concerns.



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Mechanism:

Provisioning of an EU budget guarantee to the European Investment Bank Group in order to mobilise private capital (via financial intermediaries, for example independently managed funds or Special Purpose Vehicles).

Budget:

€31 billion, to mobilise investments of more than €300 billion.

Distribution key:

Demand driven and available to all Member States, focus on companies in Member States particularly hit by COVID-19 which are less able to intervene through national state aid.



- 1. The Commission's recovery package proposals
- 2. Assessment of financial distress, liquidity shortage, and equity needs

Firm buffers help to cushion financial distress (EU27, Total Economy, by Dec 2020, with STW scheme)


Policies help to mitigate financial distress (EU27, Total Economy, by Dec 2020, no buffer)

Shortfall (billion EUR), no buffer

Baseline Stress



The extent of financial distress is strongly sector-specific (EU27, by Dec 2020, baseline shock, with STW scheme)



Investment needs and equity losses per ecosystem, including the construction sector



Equity losses per ecosystem, share of total ecosystems losses



Thank you

Asymmetric economic impact and recovery



Long shadow of fragile corporate sector

- 1. Firm bankruptcies raise unemployment: loss of human capital.
- 2. Business failures can lead to capital waste: company assets will be only partially re-employed for other purposes while intangible capital may lose its value if not developed.
- 3. Bankruptcy destroys the equity of its owners and causes defaults on corporate loans.
- 4. Business failures disrupt economic networks and global supply chains, reducing the capacity to invest of surviving firms, withholding potential growth and employment and slowing the transition to a greener and more innovative economy.

All these factors can have negative knock-on effects on investment, employment, growth, prosperity and innovation.

How will it work?

Building on the successful implementation of EFSI, the Union guarantee will be channelled through the EIB and intermediaries to support eligible companies.

Individual decisions to select the companies, which will receive intermediated support will be made independently by the fund or vehicle manager.



Approach

- Simulations exploring the financing needs akin to Schivardi & Romano (2020)
- Scenarios consider corporate losses and available buffers to cover them (liquidity; working capital)
- Partially reflect support measures (short-time work schemes and deferral of tax and interest payments)
- Cost elasticities based on the literature (Schivardi&Romano, OECD, 2020)
- Scenarios for country-sector shocks based on Spring Forecast 2020
- Firm-level information from balance sheet and profit & loss account from ORBIS
 - Data for 2018 for active firms with at least 20 empl, unconsolidated accounts
 - Representativeness ensured through re-weighting based on the Eurostat Structural Business Statistics

Methodology: computing firm liquidity position

Liquidity position of firm i in month t is obtained as

 $liquidity_{it} = liquidity_{i,t-1} + profit/loss_{it}$

with

$$profit/loss_{it} = \frac{(1-d_{st})S_i}{12} - \frac{(1-\varepsilon_M d_{st})M_i}{12} - \frac{(1-\varepsilon_W d_{st})W_i}{12} - \frac{(1-\varepsilon_F d_{st})F_i}{12} - \frac{I_i}{12} - \frac{T_i}{12}$$

where

 S_i is firm *i*'s annual sales/revenue in the last reported year; d_{st} is the demand shock in sector *s* and month *t*, derived from the SF2020; M_i is firm *i*'s annual expenses on material input in the last reported year; W_i is firm *i*'s annual expenses on labour input in the last reported year; F_i is firm *i*'s annual expenses on fixed inputs (e.g. rent) in the last reported year; I_i is firm *i*'s annual interest payment in the last reported year; T_i is firm *i*'s annual interest payment in the last reported year;

and ε_M the elasticity of material cost wrt sales (0.5), ε_W the elasticity of labour cost wrt sales (0.8), ε_F the elasticity of fixed cost wrt sales (0.1),



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Short Break

Please remain muted and connected.



Perspectives from Member States

The perspective of Croatia

Ms. Ines Androić BRAJČIĆ, Ministry of Construction and Physical Planning, Croatia







CIRCULAR MANAGEMENT FOR GREENER CITIES

Ines Androić Brajčić

M. Arch and Urban Planning

Head of Sector for European Union Projects, International and EU Affairs Ministry of Construction and Physical Planning

> REPUBLIC OF CROATIA Ministry of Construction and Physical Planning











ENERGY RENOVATION OF PUBLIC AND RESIDENTIAL BUILDINGS 2014 - 2020



HOLISTIC APPROACH TO BUILT ENVIRONMENT IN URBAN AREAS





RE-USE OF BUILDINGS AND SPACES

CIRCULAR MANAGEMENT OF BUILDINGS AND SPACES DEVELOPMENT PROGRAMME 2021. - 2030.



University of Zagreb Faculty of Architecture Af



PROGRAMME GOALS:

- → DEVELOPMENT OF A SYSTEM FOR THE CIRCULAR MANAGEMENT OF SPACES AND BUILDINGS
- \rightarrow CIRCULAR RE-USE OF UNUSED SPACES AND BUILDINGS
- → HIGH LEVEL OF KNOWLEDGE AND SOCIAL AWARENESS OF CIRCULAR MANAGEMENT OF SPACES AND BUILDINGS





URBAN GREEN INFRASTRUCTURE

URBAN GREEN INFRASTRUCTURE DEVELOPMENT PROGRAMME 2021. - 2030.



University of Zagreb Faculty of Architecture Af



PROGRAMME GOALS:

- → MANAGEMENT OF GREEN INFRASTRUCTURE DEVELOPMENT
- → IMPROVED, WIDESPREAD AND EASILY AVAILABLE URBAN GREEN INFRASTRUCTURE
- → HIGH LEVEL OF KNOWLEDGE AND SOCIAL AWARENESS OF SUSTAINABLE DEVELOPMENT OF URBAN AREAS THROUGH GREEN INFRASTRUCTURE DEVELOPMENT



URBAN PLANNING & DIGITALISATION

ALL SPATIAL PLANS AND SPATIAL DATA IN ONE PLACE



PPIS (ISPU) – PUBLIC INFORMATION

MULTIPLE LAYERS: SPATIAL PLANS, ISSUING PERMITS, BROWNFIELD AREAS, BUILDING INSPECTION, GREEN INFRASTRUCTURE DATA





BROWNFIELD REGISTRY MODULE

CENTRAL PLACE FOR INVENTORY, EVALUATION AND MONITORING OF BROWNFIELD SITES

PPIS https://ispu.mgipu.hr/



RECOVERY PLAN CONCLUSION











REPUBLIC OF CROATIA Ministry of Construction and Physical Planning



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Perspectives from Member States

The perspective of Germany

Mr. Lothar FEHN KRESTAS, Head of the directorate Building and Construction Industry in the Federal Minister of the Interior, Germany







High Level Tripartite Strategic Forum

8th meeting, 17th June 2020

The perspective of Germany

Lothar Fehn Krestas, Head of Directorate BW I, Building, Construction Industry Federal Ministry of the Interior, Building and Community



Bundesministerium des Innern, für Bau und Heimat

- Strengthen the construction sector
- Climate Change
- Harmonization of construction products
- Circular Economy and Waste Management
- Public procurement
- Sustainable Construction





Focus of German Council Presidency in the construction sector

- 1. Future of standardization how the current standstill could be ended
- 2. Health and environment protection in indoor areas
- 3. Sustainability, environment protection und recycling in the building sector in the context of Green Deal

The perspective from the construction sector

Mr. Christophe SYKES (Construction Products Europe), Member of the Construction 2050 Alliance



The perspective from local authorities

Mr. Philippe Micheaux NAUDET, ACR+





Local and regional authorities views about sustainable built environment

Construction 2020 - High Level Forum, 17 June 2020 Philippe Micheaux Naudet, ACR+

ACR+ & the circular economy

Association of Cities and Regions for sustainable Resource management







ACR+



The need for a balanced approach



Prevention and local approaches are priorities



Industrial symbiosis is key for construction



http://fissacproject.eu



CSA (2.1 tons) cement preindustrial scale and Blended cement industrial production – 300 tons. Adana - TCMB



Green Concrete (25 m³) slab – 80 m² Zestoa – Guipúzcoa TECNALIA



Green Concrete (25m³) slab, new Jersey and concrete bricks North Italy - FERALPI&CSM



Rubber Wood Plastic Composites Madrid – Spain (ECODEK&ACC)



FISSAC Pilots

Living labs are good tool for stakeholders engagement and social acceptance



Cities and regions have a key role to play

Behaviour change

(citizens, enterprises) e.g. sustainable construction portal (Brussels & Wallonia)

Public procurement

(public authorities)
e.g. guidance document
on construction
sustainable
procurement (Scotland)





Supply Demand

Infrastructures

e.g. collection for re-use of bricks in civic amenity sites (Odense)

Business Support

e.g. urban regeneration strategy (Prato)

Legal and economic framework

e.g. 75% recovery target for construction and demolition waste by 2020 (Catalonia)



. but they need support



Circular procurement for the built environment





https://northsearegion.eu/procirc/



Thank you!

<u>acrplus.org</u> <u>circular-europe-network.eu</u>

Contact: pmn@acrplus.org

The perspective from the building owner

Ms. Emmanuelle CAUSSE (International Union of Property Owners), Member of the Construction 2050 Alliance



Open discussion with all HLF members

- To indicate that you want to speak, please write your full name and organisation in the chat (select "all participants").
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Wrap up & next steps

Ms. Fulvia RAFFAELLI, Head of Unit Circular economy and Construction, DG GROW



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Thank you



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