DRAFT IMPACT ASSESSMENT

1 The proposals and their impacts

1.1 Main proposals

The proposal suggests amending the Building Act to implement the Energy Performance of Buildings Directive and the RED III Directive. The Building Act would define an emission-free building. In the future, the new building could be a nearly zero-energy building or a zero-emission building in accordance with the Building Act. According to the Energy Performance of Buildings Directive, all public buildings should be zero-emission buildings by 1 January 2028 and other buildings by 1 January 2030. Before the obligations take effect, zero-emission buildings could be built on a voluntary basis. In addition, it is proposed that a new concept of usable floor area be added to the Building Act, that the definition of a nearly zero-energy building be clarified, and that Section 37 concerning essential technical requirements for energy efficiency be amended. Section 14 of the Building Act would also be amended regarding the minimum share of energy from renewable sources in new and extensively renovated buildings. The share would increase from 38 percent to 52 percent of the calculated purchased energy used in energy calculations, provided it is technically, functionally, and economically feasible.

The proposal would also regulate the national sanctions required by the Construction Products Regulation and clarify the rules on market surveillance of construction products. According to the regulation, the imposition of penalties is left to the discretion of the Member States. The objective is also to clarify the rules on market surveillance of construction products resulting from the amendment of the Construction Products Regulation, including the use of uniform terminology between the Regulation and national legislation to facilitate consistent and clear application. The proposal would also regulate the national sanctions required by the Energy Performance of Buildings Directive.

The proposal suggests making technical amendments to the Building Act. A provision concerning building permits is proposed to be corrected in the wording of a single sentence. The transitional provision concerning the qualifications for design tasks is proposed to be amended so that building engineers, other engineers with a relevant degree, and persons who, under the transitional provision on qualification requirements in the Act amending the Land Use and Building Act (41/2024), have been able to act as designers, would also have the qualification to act in exceptionally demanding design tasks. In addition, Section 28 of the Building Act would be clarified so that the Building Act must be followed in situations where building regulations drawn up before the Act’s entry into force conflict with the Act.

The proposal also suggests adding to the Building Act a few provisions currently included in the Land Use and Building Decree (895/1999) that clarify responsibility and procedural matters in construction, which, during the preparation of the new Building Decree, have been seen as needing elevation to the statutory level. At the same time, the necessary legal-technical corrections would be made to these provisions.

1.2 Principal impacts

1.2.1 Energy Performance of Buildings Directive and RED III Directive

The proposed amendments to the Building Act to implement the Energy Performance of Buildings Directive and the RED III Directive concern those who undertake either a new construction project or repair a building they own.

The definition of a zero-emission building, at this stage, concerns those who decide to initiate a construction project and choose to build a new building as a zero-emission building. Alternatively, those undertaking a construction project may build a nearly zero-energy building, as is currently the case. The cost-optimal levels of a zero-emission building will be set by the Decree of the Ministry of the Environment in preparation. The proposed changes to the Building Act therefore do not have direct economic impacts, for example, on those undertaking construction projects; instead, the economic effects depend primarily on regulations issued under the delegated powers. The financial implications of the draft decrees will be investigated in connection with the preparation of the Government decrees, and they will be specified as the preparation progresses. In general, it can be concluded that the differences between a zero-emission building and a nearly zero-energy building are not large and do not entail significant costs for the party undertaking a construction project.

The use of the definition of usable floor area instead of gross floor area in Section 37(2)(1) on energy efficiency mitigates, to some extent, the applicability of energy performance requirements to small buildings. In some cases, however, it may also mean that buildings that were previously outside the scope of energy efficiency requirements will now be subject to energy efficiency improvement requirements. The effects depend greatly on the type of building and how the floor area of the building is calculated. However, the change is not so significant that it is expected to have an impact on the energy efficiency of buildings in Finland. However, if a change in the calculation method results in a building falling within the scope of energy efficiency requirements, these requirements would only have to be implemented in accordance with the law in cases where it is technically, functionally and economically feasible to do so. Consequently, the impact is considered to be minor.

The amendment to Section 14 of the Building Act resulting from the RED III Directive raises the requirement for the use of renewable energy in buildings from 38 per cent to 52 per cent. This is not expected to have significant impacts on the use of renewable energy in buildings, as the majority of new and extensively renovated buildings already meet this requirement. The proposed 52 percent is based on national statistics and the level that electricity, district heating, and district cooling achieve according to statistical analysis. According to 2023 statistics, the renewable share of electricity was 52 percent, and the renewable share of district heating, calculated according to the RED III Directive, was 58 percent in 2023. The renewable share of district cooling was 96 percent. Furthermore, according to the law, this requirement only applies if it is technically, functionally and economically feasible. Therefore, the impacts of the change on those undertaking construction projects and on the amount of renewable energy used in buildings are considered minor.

Economic feasibility is regulated in Ministry of the Environment Decree 2/17, “Ministry of the Environment Decree on Improving the Energy Efficiency of Buildings in Repair and Alteration Works, Amending the Ministry of the Environment Decree”. Section 1a of this decree states: “A technically feasible solution to improve energy efficiency in repair or alteration work is a solution that is designed and implemented so that the characteristics required under Sections 117a–117g of the Land Use and Building Act, or requirements imposed on their basis, are not weakened compared to the existing design solution. A functionally feasible solution is one that does not result in the intended use of the building being prevented. An economically feasible solution is a solution that can, based on a review, be implemented cost-efficiently. In the economic assessment, the period of analysis must be 30 years for residential buildings and 20 years for other buildings, unless the normal life cycle of the building part or system or part thereof is shorter than the above period.” The reference periods of 20 years and 30 years are defined in Commission Delegated Regulation (EU) No 244/2012.

Therefore, if the lifespan of a building is shorter than 30 years, the effects of the reduction in operating costs compared to this shorter lifespan are calculated. If the building has a remaining target technical service life of, say, 10 years, the owners are unlikely to carry out major repairs, but will only repair what is absolutely necessary. In the case of maintenance repairs, it is generally not possible or appropriate to make significant energy efficiency improvements.

1.2.2 Construction Products Regulation

It is estimated that regulating the penalties for violating the Construction Products Regulation will, to some extent, prevent violations of the Construction Products Regulation. Since the purpose of the Regulation is to improve the free movement of construction products and to promote the circular economy and technological development, the regulation of infringements can contribute to these objectives. The clarifications to the provisions concerning market surveillance of construction products can be considered to promote a more uniform and clearer implementation of the Construction Products Regulation at national level, even though the effects cannot be considered significant.

Half of the world’s raw materials are used in construction, and 40 percent of final energy consumption occurs during the lifetime of buildings. The share of carbon used over the entire life cycle of construction products accounts for 10–20 percent of the carbon used in buildings over their life cycle in the EU. Proper implementation of the Construction Products Regulation provides significant opportunities to improve resource efficiency and material recycling in production, as well as the use and end-of-life handling of construction materials and products. It also supports the transition, in line with the Paris Agreement, to a climate-neutral and more circular economy in the procurement and production of construction products and in their sustainable use in construction projects. The low-carbon construction proposals aim at significant climate-friendly environmental impacts. These impacts are caused by lower climate impacts of regulated buildings than in the absence of regulation. Effective enforcement of the Construction Products Regulation

will remove barriers to the market within the EU, thereby facilitating the reuse of construction products and contributing to the circular economy in construction.

Designing and building buildings for a long service life would reduce the need for demolition of buildings and new construction, which would have a negative impact on greenhouse gas emissions. With regard to repair construction, a significant emission reduction potential is included in how renovations and changes of use can continue the life cycle of existing buildings. Listing and up-to-date maintenance of materials and products used in construction in the building's material description would contribute to the proper maintenance of the building and thereby extend the service life of the building. Sanctions are considered to have an impact on the effective implementation of the Construction Products Regulation, and thus they also support the objectives discussed above and, in this way, have an effect on the environment.

1.2.3 Building Act

The transfer of the provisions contained in the Land Use and Building Decree (895/1999) to the Building Act has not been considered to have an impact on the procedural and liability issues related to construction. The provisions are technical in nature and, as they correspond in substance to previous provisions of the Land Use and Building Decree, the introduction of the provisions into the Building Act does not have an impact on the current legal situation.