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Will the Netherlands meet the EPBD targets?

- **The revised Energy Performance of Buildings Directive (EPBD), published in May 2024, sets ambitious targets for a fully decarbonized EU building stock by 2050**
- **Member States have to transpose it into national legislation by May 2026**
- **In 2024, Dutch real estate contributed 12% to national greenhouse gas emissions**
- **40% of Dutch residential housing stock lack energy labels, with possible underreporting of retrofitting improvements**
- **Energy consumption in homes has dropped 30% since 2010, including a 7.3% reduction since 2020**
- **CO2 emissions from housing decreased 16% since 2020, driven by electrification**
- **The Netherlands is likely to meet the EPBD targets unless stagnation observed in 2024 becomes the norm**

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In May 2024, the European Commission introduced the revised Energy Performance of Buildings Directive (EPBD), a significant regulation designed to improve the energy efficiency of buildings across the European Union (EU). The directive sets ambitious targets, including the goal of achieving a fully decarbonized building stock by 2050. It also mandates a minimum 16% reduction in the energy consumption of the residential building stock by 2030, compared to 2020 levels. Furthermore, member states are required to ensure that at least 55% of this reduction in average primary energy use comes from renovating the 43% least energy-efficient residential buildings. To comply with these objectives, member states must incorporate the revised EPBD into their national legislation by May 29, 2026..

In the Netherlands, 2024 data reveals that real estate accounts for approximately 12% of the country's total greenhouse gas (GHG) emissions, highlighting the significant challenges that remain in improving the energy performance of its building stock. To address this, the Netherlands must develop comprehensive national renovation plans tailored to its unique building characteristics and circumstances

In this note, we analyse the current state of the Dutch residential real estate sector and project whether the country is on track to meet the ambitious targets set by European regulations.

Energy label distribution in the Netherlands

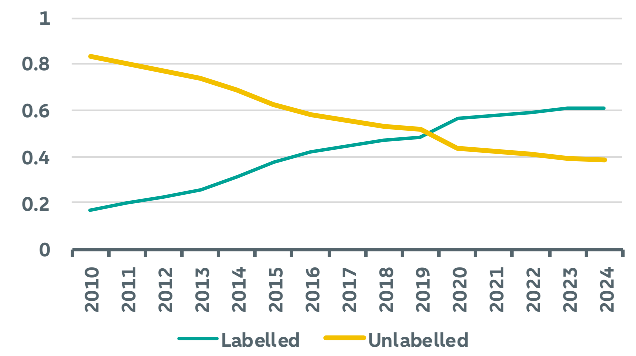
For our analysis, we utilize energy performance certificates (EPCs) to assess the energy efficiency of residential real estate in the Netherlands. EPCs are standardized ratings that evaluate a home's energy consumption for heating, cooling, hot water, and lighting, as well as its associated environmental impact (e.g., CO2 emissions). In the Netherlands, residential properties are assigned energy labels ranging from A++++ (most energy-efficient) to G (least energy-efficient).

An energy label is typically required only when a house is sold or rented, leaving a portion of the housing stock without an assigned label. Currently, energy labels are available for approximately 60% of the Netherlands' residential housing stock. The graph below highlights that, since 2021, the growth in labelled homes has been modest—less than 5%, with around 1% attributed to newly built homes. This slow growth indicates that the labelling process has plateaued, leaving a significant portion of the market unlabelled. Furthermore, there are reasons to believe that many homeowners may not update their home's energy label following retrofitting or renovation. If this is the case, the energy performance of houses with lower labels may actually be better than the current available data reflects. Nevertheless, in our analysis, we assume that the remaining 40% of unlabelled properties follow a similar energy label distribution as the labelled subset.

The graph on the right depicts the distribution of energy labels in Dutch housing since 2010, showing a consistent rise in the proportion of homes with an A label or higher over the past nine years. This growth reflects regulatory requirements that ensure newly constructed homes adhere to high energy efficiency standards, typically achieving an A rating or better. In addition to these mandates, other regulatory initiatives were introduced to promote energy efficiency across the housing stock. These included the mandatory replacement of gas boilers with sustainable alternatives in existing homes starting in 2026, subsidies to encourage the adoption of solar panels, and requirements for rental property owners to upgrade properties with energy labels E, F, or G to at least energy label D by January 1, 2029.

Currently, 61% of residential real estate has an energy performance label in the Netherlands

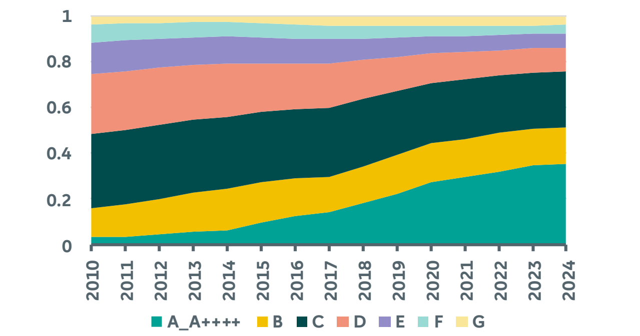
Share of residential real estate labelled and unlabelled



Source: RVO, ABN AMRO Group Economics

A or above labelled houses represented 35% of the Dutch housing stock in 2024

Distribution of labels across labelled residential real estate



Source: RVO, ABN AMRO Group Economics

As previously mentioned, energy certificates correspond to specific intervals of energy consumption. Below on the left, we present a graph illustrating the range of energy consumption associated with each label, expressed in kWh/m^2 per year. For the lowest energy label (G), no maximum consumption level is officially defined. Therefore, we assume that the maximum consumption is 500 kWh/m,^{2} per year. Given that the share of G-labelled houses is considerable small, of 2% to 3% of the housing stock, we deem that setting a maximum of 500 kWh/m^2 per year should not impair our results.

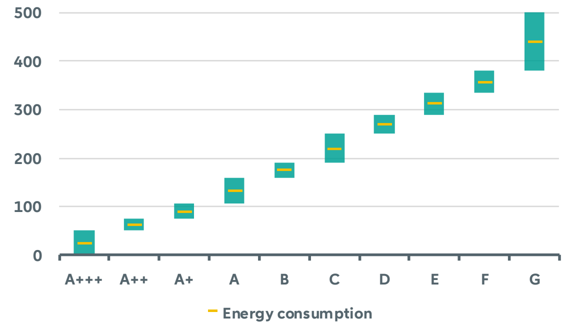
Using the median energy consumption per label and the share of houses within each label, we calculate the theoretical weighted average energy consumption of the Dutch housing stock. Subsequently, we estimate the improvement in energy efficiency by calculating the decrease in weighted average energy consumption over time.

The findings presented below on the right reveal that the weighted average energy consumption has decreased by approximately 30% since 2010. This significant improvement is largely driven by the growing proportion of homes with energy labels rated A or higher and a declining share of properties rated D and E. Additionally, since 2020—the benchmark year for the Energy Performance of Buildings Directive (EPBD)—the cumulative reduction in energy consumption has reached approximately 7.3%.

However, progress stalled in 2024, with no notable advancements observed. We attribute this stagnation to political shifts within the country and a reallocation of focus toward other pressing priorities, such as geopolitical tensions and trade disputes. For example, some previously implemented measures aimed at boosting energy efficiency in the Dutch housing stock (such as, the heat pump rule or the subsidies for solar panels) were reversed in 2024, following the election of the right-wing PVV party. ABN AMRO Group Economics has explored this topic in greater detail (see here).

Labelled A or above houses in the Netherlands have an energy consumption of 100 kWh/m²/year or above

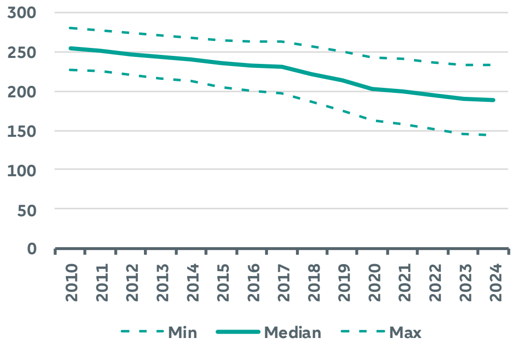
Theoretical energy consumption per label (range and median), kWh/m² per year



Source: RVO, ABN AMRO Group Economics

The average energy consumption of residential housing stock has been decreasing since 2010

Median energy consumption of the residential real estate, kWh/m² per year



Source: ABN AMRO Group Economics

What about emissions?

The energy consumption of Dutch real estate is primarily derived from either gas, electricity, or a combination of both. The type of energy source and its associated CO2 emissions play a significant role in determining the overall energy efficiency of a property. To convert energy consumption into emissions, it is necessary to account for the proportion of each energy source within the energy label and the emissions produced per unit of energy consumed.

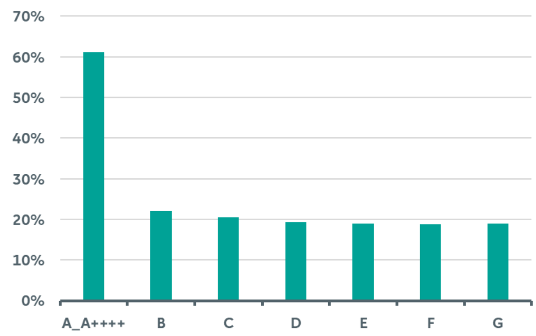
To estimate emissions, we start by calculating the average shares of electricity and gas for each energy label. Next, for each energy source (electricity or gas), we calculate the emissions associated with consuming one unit of energy. We then determine the emissions for each energy label by multiplying the shares of gas and electricity by their respective emissions per unit of consumption. This approach provides a detailed understanding of how emissions differ across energy labels, highlighting the impact of energy sources and efficiency improvements. Finally, to estimate the total emissions of the Dutch housing stock, we combine this data by multiplying the emissions for each energy label by the proportion of houses with that label within the housing stock. This gives a comprehensive view of the housing sector's contribution to national CO2 emissions.

We use historical data from the Centraal Bureau voor de Statistiek (CBS) between 2019 and 2023 to calculate the average energy mix per label. The graph on the left below illustrates the share of electricity (e) in the total energy consumption for each label (with the share of gas being $1-e$). For most labels, the gas-to-electricity ratio remains relatively stable over time. However, homes with labels above A have seen significant shifts due to the stricter BENG (Bijna Energieneutrale Gebouwen, or nearly energy-neutral buildings) regulations introduced in 2021, which mandate gas-free construction. For future projections, we use the energy mix from 2023 as our reference point.

According to our results, and as you can see in the right graph below, CO2 emissions have decreased around 16% since 2020.

A-labelled houses mostly rely on electricity, while G-labelled houses mostly rely on gas

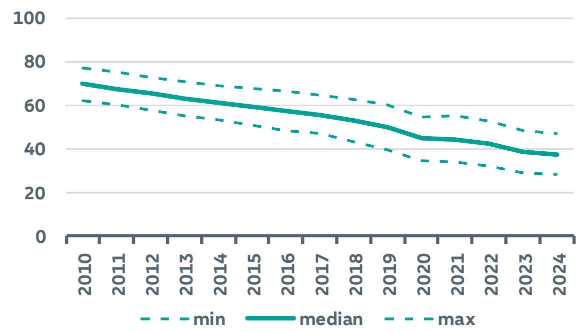
Avg. share of electricity in energy consumption mix per label



Source: ABN AMRO Group Economics

CO2 emissions have decreased 16% since 2020

CO2 emissions of the housing stock in the Netherlands



Source: CBS, ABN AMRO Group Economics

Looking forward

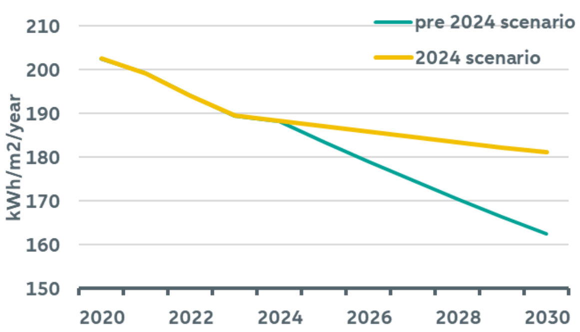
In this section, we will explore the anticipated evolution of energy efficiency within the housing stock and its subsequent impact on emissions through to 2030. To analyse this, we develop two scenarios. The first scenario, which we will call the positive scenario, extrapolates data from the past decade, utilizing trends in energy efficiency and CO2 emissions to project future developments. In contrast, the second scenario, which will be referred to as the negative scenario, takes a different approach by considering 2024 as the 'new normal,' disregarding the patterns observed in the previous ten years.

In the graph below on the left, we plot the development of the energy efficiency of the Dutch housing stock in both the positive and negative scenarios. Considering the energy efficiency achieved in the past ten years, since the adoption of the Paris Agreement in the positive scenario, and assuming that the same level of ambition for the remaining years until 2030, we conclude that the energy efficiency of the housing stock would decrease by 19% - which is more than enough to meet the targets set by the European Commission in the EPBD update of last year. Conversely, if we examine the negative scenario, the outlook appears significantly more pessimistic. The year 2024 was undoubtedly marked by stagnation in climate change progress, with no substantial improvements achieved. This was primarily due to political shifts, as the Dutch government adopted a right-wing stance, coupled with a global reprioritization from climate change to geopolitical concerns. For instance, increased investments in defence and the prominence of trade wars have taken precedence. Consequently, if 2024 is regarded as the 'new normal,' energy consumption by 2030 is projected to decline by only 10.4%, falling far short of the 16% reduction mandated by the European Commission.

Moreover, the graph on the right plots the development of the CO2 emissions of the housing stock until 2030. The positive scenario yields a reduction in emissions of around 42%. While the negative scenario yields a reduction of 33%.

In the positive scenario we are able to reach the EPBD targets...

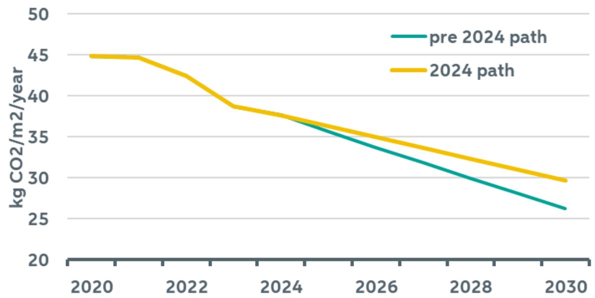
Average energy consumption of residential real estate, in kWh/m^2 per year



Source: ABN AMRO Group Economics

... while reducing CO2 emissions by 42%

CO2 emissions of the residential real estate



Source: ABN AMRO Group Economics

Nonetheless, we consider the first scenario to be the more likely outcome, interpreting 2024 as an exceptional anomaly rather than a new norm. A notable example supporting this perspective is the result of the recent Dutch election, of which the social liberal progressive party D66 emerged as the winner, although closely followed by the far-right PVV. As highlighted in ABN AMRO's recent note (see here), D66 has committed to steering the Netherlands back on track to meet the EU climate goals for 2030, 2040, and 2050. In addition, the party has committed to subsidizing key green technologies and investing heavily in solar panels on rooftops, industrial zones, and unused spaces such as roadsides—initiatives that could reverse recent trends.

However, given that D66 will need to form a coalition government with more conservative parties, such as CDA, it is anticipated that not all of its ambitious plans will be fully realized. Despite this, the political direction represents a more optimistic outlook for the future of the Dutch climate agenda, increasing the likelihood of meeting the targets outlined in the EPBD.

Conclusion

All in all, our analysis highlights both the progress made and the challenges that lie ahead for the Netherlands in meeting the ambitious energy efficiency and emissions reduction targets set by the European Commission under the revised EPBD. While the country has shown significant improvement in energy efficiency over the past decade, achieving a reduction in weighted average energy consumption and CO2 emissions, the stagnation observed in 2024 raises concerns about maintaining the necessary momentum.

The first scenario offers a more optimistic outlook, suggesting that the Netherlands remains on track to meet the EPBD targets, provided that the progress achieved prior to 2024 continues. However, the second scenario underscores the risks associated with political and geopolitical shifts, which could hinder climate action and slow the pace of energy transition.

Ultimately, the Netherlands must prioritize and accelerate efforts to improve the energy performance of its housing stock, ensuring that national policies align with the EPBD objectives. The path forward will require sustained commitment, innovative solutions, and collaboration across sectors to overcome obstacles and achieve a fully decarbonized building stock by 2050.

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