

New town planning rules for Paris: ESG opportunities for investors



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The Paris City Council has adopted on 5 June 2023 the draft of the future Bioclimatic Local Planning Scheme (PLU-b), expected to enter into force end of 2024 or early 2025.

The aim of the new zoning rules are to create a bioclimatic Paris, adapt to the effects of climate change, and combat climate change by reducing greenhouse gas emissions.

With its new town planning rules, the Paris metropolis will offer a unique environmental quality, also concerning the buildings composing the city. It will therefore provide real estate investors with new opportunities, both green and social, and thus allow them to comply with ESG and taxonomy requirements in investing in the modernised buildings in Paris.

The new town planning rules will add to an already rich French legal arsenal to compel the real estate industry to reduce its energy consumption, often non-existent in other European metropolises: Decree no. 2019-771 of 23 July 2019, known as the ‘Tertiary Decree’ obliges lessors and occupiers of buildings with more than 1,000sqm used for tertiary activities to reduce their energy consumption by at least 40% in 2030, 50% in 2040 and 60% in 2050.

ESG and non-financial reporting obligations for real estate players...

A growing number of regulations at European level (SFDR Regulation, Taxonomy) and in France (Article 29 Energy-Climate Act) require AIFM and investors to be transparent about their environmental, social and governance activities.

For instance, under the Taxonomy Regulation 2020/852 of 18 June 2020, the construction of new buildings requires that the primary energy demand (ie energy performance of the building resulting from the construction), must be at least 10% lower

than the threshold set for the nearly zero-energy building requirements in national measures.

Building renovation must comply with the applicable requirements for major renovations or lead to a reduction of primary energy demand of at least 30%.

... which the new town planning rules of Paris will allow to meet

The new town planning rules of Paris will develop the entire living environment: it will enhance existing biodiversity reservoirs, create new ecological corridors, aim for 10sqm of green space per inhabitant, and create the conditions for the development of low-carbon motorised modes.

Alongside the global environment, the focus is on the virtuous transformation of existing buildings.

The first stage of this ambition is to trigger massive renovation projects:

- eco-renovate all housing by 2050, with a minimum gain of 50% by 2030 compared with 2004;
- reduce the energy consumption of social housing by 35% by 2030 and 50% by 2050 compared with 2004;
- incorporate a significant proportion of low-carbon renewable or recovered energy sources;
- encourage connection to existing heating and cooling networks and limit to a minimum the use of individual active cooling systems with on-street heat dissipation.

The bioclimatic zoning plan proposes the following guidelines:

To obtain their building permit, projects will not only have to meet the regulatory thresholds of the future PLU, but also outperform on several criteria.

- adapt thermal insulation processes to the architectural and urban context of Paris, while favouring the use of eco-designed, bio-sourced and local materials;
 - encourage the improvement of the bioclimatic qualities of buildings when facades are renovated;
 - retain as much as possible of the existing building fabric;
 - support the thermal renovation of buildings by planting facades;
 - encourage the desealing of outdoor spaces, particularly along facades;
 - include a 'summer comfort' component in all thermal renovation projects.
- The new version of the Paris town planning rules also promote bioclimatic design for new buildings:
- 1) Building energy consumption and low-carbon energy content, by:
 - limiting the energy consumption of buildings by reference to the most demanding standards;
 - systematising bioclimatic design to ensure energy efficiency and building resilience to climate change and heat waves;
 - providing efficient temperature control systems, limiting the use of active individual cooling systems;
 - 2) Choice of materials and construction methods, by:
 - including a significant proportion of low-carbon renewable or recovered energy sources in its supply (target of 60% energy needs by renewable energies by 2030).
 - promoting sobriety in the use of resources, by limiting the quantities of materials used in construction, encouraging reversibility and demountability to anticipate maintenance and end-of-life of buildings;
 - encouraging the use of natural, renewable, biosourced materials, or from the circular economy;
 - discouraging the use of concrete made from natural aggregates.

The new town planning rules are more demanding than the current national rule (ie 2020 Environmental Specifications (RE 2020)).

Energy performance is increased by 20% for collective housing buildings, 10% for office buildings and 5% for other building categories.

The summer discomfort indicator must be strictly less than or equal to the figures given in the 2020 regulations.

Project developers are encouraged to excel by the introduction of an outperformance mechanism. To obtain their building permit, projects will not only have to meet the regulatory thresholds of the future PLU, but also outperform on several criteria.

In addition to this regulatory mechanism, the bioclimatic aspects of major real estate projects will be assessed by the City of Paris and scores attributed. Projects with low bioclimatic scores will not be granted with the relevant administrative authorisation.

A new focus on social inclusion

With the aim of achieving 40% public housing in the main housing stock, including 30% social housing and 10% affordable housing by 2035, the new town planning rules set new obligations.

The City of Paris has determined new zones for social housing deficit in which social housing obligations are increased.

If the project involves more than 500sqm of residential floor space, 35% to 50% must be allocated to social housing.

This will lead to the creation of 'mixed' office and social housing buildings, enabling investors to fall under the 'S' of the ESG criteria.

The outlook

To significantly reduce energy consumption, Parisian buildings will undergo a major modernisation, while imposing new obligations for social housing. As a result, Paris will soon offer real estate investors buildings that are compliant with ESG criteria and taxonomy, thus aligning with environmental sustainability efforts. ■