



EUROPEAN
INTERNATIONAL
CONTRACTORS

EIC DIGITAL SPRING WORKSHOP **2021**

"TURNING THE 2050 CARBON NEUTRALITY
CHALLENGE INTO A BUSINESS OPPORTUNITY FOR
EUROPEAN INTERNATIONAL CONTRACTORS"

MORE THEN **100** PARTICIPANTS

15 HIGH-LEVEL SPEAKERS

4 PARALLEL WORKING GROUPS

2 INSPIRATIONAL SPEECHES

1 COMMON VISION

WELCOME REMARKS

...from EIC President Benoît Chauvin

Dear Participant,

thank you very much for joining our EIC Spring Workshop 2021 and I hope you enjoyed the discussion as much as I did.

As the construction industry, we are part of the problem, but we are also part of the solution. And there are many business opportunities deriving from the 2050 carbon neutrality challenge. It is still time to change our mindset and to be successful in building a sustainable future with all stakeholders.

Let us do it and consider our today event as a starting point of our EIC journey to assist European construction contractors in their transformation.

Yours sincerely,



MAKE PEACE WITH NATURE!

...by UNEP Director Bruno Pozzi

Infrastructure is central to sustainable development as it underpins economic growth and delivers the services that are essential to improve livelihoods and well-being. At the same time, unsustainable, poorly planned and delivered infrastructure can have disastrous effects on the environment and societies. Whilst the delivery of infrastructure systems should be at 'Peace With Nature!', unsustainable development has led to the three planetary crises, climate change, biodiversity loss and pollution, and rapidly degrades Earth's capacity to sustain human well-being.



Human knowledge, ingenuity, technology and cooperation can transform societies and economies and secure a sustainable future. UNEP recognises that, in addition to partnerships with governments and civil society, partnerships between the public and private sectors can help bring about lasting solutions. It calls for making climate resilience the norm for infrastructure investment, undertaking inclusive and climate-informed planning for new and existing infrastructure and mobilising private-sector investment in resilient infrastructure.

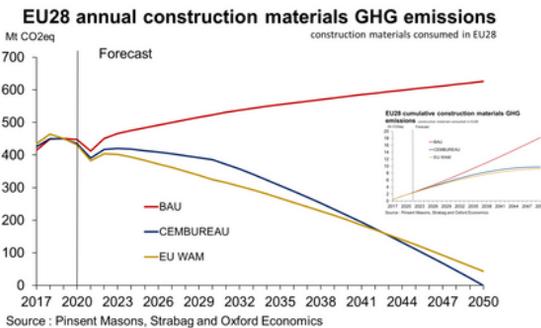
TOWARDS A COMMON VISION FOR A RESOURCE EFFICIENT CONSTRUCTION INDUSTRY

...by ENCORD Chairman Norbert Pralle and Co-Speaker Graham Robinson, Pinsent Masons

The demand for construction and related services is expected to keep rising due to population growth, maintenance and modernisation needs. Our investigations found that even when decarbonising the production of the 10 commonly used construction materials, the industry will fall short of the 55 % reduction target in GHG emissions by almost 20 % in 2030.

We hence face the challenge to match increased demand in buildings and infrastructure while using less - in particular raw natural - materials. Given the toll on the environment and biodiversity, the construction industry must step up to envision bold change: We need to halve CO2 emissions and reduce the use of raw materials within the next 10 years drastically.

To achieve this, our business models and assets must be designed for circularity. Imagine a deconstruction industry as big as the construction industry today. As waste is a result of bad information management, for net zero and resource efficiency to be achieved we need comprehensive connected data structures. By fostering awareness and digital literacy, we are able to industrialize our processes and increase our sector's productivity and sustainability performance.



Construction Tomorrow: Circular, Connected – through Data



Take-Aways

- The construction industry is entering a phase of systemic change. New market players are emerging. A tremendous paradigm change is needed to mitigate climate change.
- To reach carbon neutrality, cutting embedded carbon is the biggest challenge.
- The Life Cycle Approach is key for carbon neutrality, material efficiency and for the value proposition of Construction-as-a-Service.
- Key to reduce wastage are effective information systems based on common data structures.
- Big opportunities await for the AEC sector by driving the needed transformation.

WORKSHOP A - AFRICA

Prospects for Climate-friendly Projects in Africa



From left to right: Chair José Pedro Freitas (CFO, Mota-Engil Group), Karim Selouane (Founder and CEO, Resalliance / Vinci) and Richard Laudy (Head of Africa Group, Pinsent Masons)

WE DISCUSSED:

A major challenge towards EU Africa infrastructure cooperation and development is to manage both the immense lack of funding and to match investment programmes with actual needs. Also, the lack of integrated planning (including the absence of LCA considerations), binary supply chains, unreliable regulations on e.g. PPPs and land-ownership provide obstacles towards implementing a common sustainability vision. This withstanding, climate resilient infrastructure delivery based on sustainable sourcing may prove to have a competitive edge once African clients have found their "Narrative" to attract investors.

The subsequent discussion also shed light on the caveats of the European donor landscape and Europe's inability to adequately match African partners' infrastructure needs. Without a single financing institution and a fragmented financier landscape, Europe and its uncompetitive sovereign financing is in a difficult position to drive climate-friendly infrastructure development in Africa.

Take-Aways

- Infrastructure planning needs to be aligned with the SDGs and bring in the concepts of climate change mitigation and adaptation in early project design and throughout the LCA.
- Climate-friendly projects must go hand in hand with diversification of supply chains as well as a considered amount of "Africanisation".
- A major pitfall for private investors are legal, political, reputational and operational risks that have to be met with clear regulations on PPPs and investor protection mechanisms.
- Financiers like DFIs have a leading role in driving climate-friendly investments.

WORKSHOP B - CORPORATE RESPONSIBILITY

EU Legislation on Environmentally and Socially Sustainable Construction



From left to right: Chair Wouter Remmels (Director, Bam International), Lourdes Centeno Huerta (Corporate Law, EY Spain) and Lara Muller (Global Head of Public Affairs, Royal Boskalis Westminster)

WE DISCUSSED:

In the wake of the financial crisis of the year 2008, Environmental, Social and Governance (ESG) standards have become a growing priority for investors and societal, government and consumer scrutiny of companies' ESG performance has intensified. The Covid-19 pandemic has become a catalyst for this development.

At the same time, the European Union is at the forefront of shaping policy strategies to fight global Climate Change, as reflected in the UN Sustainable Development Goals, the Paris Agreement and, lately, in the European Green Deal. The EU Taxonomy offers a classification tool aimed at investors, companies, and financial institutions to define the environmental performance of economic activities across a wide range of industries, and sets requirements corporate activities must meet to be considered sustainable.

As a consequence, shareholders and investors show a big appetite for measurable benchmarks to rate companies on sustainability criteria with an expected impact on project financing, export credit insurance, company value and credit rating. Most likely, EU Taxonomy will spread to US, Canada, Japan...

Take-Aways

- Environmental, Social and Governance (ESG) standards and the EU Taxonomy are no longer a 'box-ticking' exercise.
- European international contractors should not resist this trend, but look at it as an opportunity for developing a competitive advantage, such as becoming a preferred investment for shareholders and investors, getting better access to capital at better conditions for projects, attracting and keeping investors in the long-term, improved customer/ employee relationship, increased profitability and improved return on investment, better social license to operate.
- It is key that companies assess and define a strategy for sustainable supply chain management, i.e. build capacity to assess the corresponding risks, to identify gaps, to develop and simulate the effectiveness of an answer.

WORKSHOP C - CONTRACT CONDITIONS

Innovative Procurement and Contracting Models for Climate-friendly Construction Projects



From left to right: Chair German Grueniger (Group General Counsel and CCO, Implenia), Keith Daly (Managing Director, Quantum Energy) and Nicholas Gould (Specialist Construction and Engineering Law, Fenwick Elliott LLP)

WE DISCUSSED:

With few exceptions, “green procurement and construction” in Europe is still rather the exception than the rule. This philosophy might change in the light of new international treaties, e.g. the Paris Agreement, or EU regulations to which governments need to adapt. There are already procurement and contracting tools available which drive the process towards climate-friendly projects. Private demand for “green buildings” will increase, as certification becomes more widespread.

Innovative procurement and contracting models, such as Early Contractor Involvement and Alliancing, have the potential to facilitate a better collaboration between the construction parties with the aim of reducing climatic impacts. It would allow the entire construction supply chain to collaborate with the goal to reduce the carbon footprint of the project. More traditional contractual mechanisms for measuring CO² performance are also available, including penalties and termination, but can be further developed.

Take-Aways

- Early engagement pre-contract drafting specifically around nature inclusive options would reduce adversarial contract management.
- Early engagement of tenderers specifically around developing employer requirements and legislation obligations would reduce impact of problematic contract negotiations.
- Extending tender periods to ensure sufficient design development would minimise understanding of requirements associated with climatic best practice.
- Collaborative approach to standardising of contract forms to take cognisance of environmental needs.
- Reliable measurement of CO² performance is needed to ensure water-proof procurement decisions and avoid disputes.

WORKSHOP D - DIGITAL TRANSFORMATION

Digital Transformation as Enabler for Climate-friendly Construction Projects



From left to right: Chair Juan Elizaga (Director Operational Resources, Ferrovial Construction SA), Anne Melony (Spearhead Director, Ramboll) and James Colglough (Digital Lead Europe - Transport, Aecom)

WE DISCUSSED:

The construction environment is slowly developing from a CAT based into a BIM based model, bringing along the need to manage data alongside the LCA of a project. This provides both opportunities and challenges for climate-friendly contracting and constructing. Off-site manufacturing, on-site assembly, machine learning and predictive Artificial Intelligence as well as probabilistic analysis can help designing resource-efficient low carbon projects. Given these technologies, digitalisation can help to improve internal efficiency by linking digital PMOs to smarter processes, including logistics and energy cost and usage. However, digitalisation is only the means, not the end in reducing CO2 components and material usage.

Whereas contractors have difficulties to invest in costly technologies in light of small margins, clients are still procuring under the lowest cost paradigm. The biggest challenges towards harmonising the opportunities from digitalisation are clients' and financiers' willingness to invest, integrate digital requirements in procurement processes and including contractors and engineers as early as possible. There are no easy wins but rocky roads to go: Data legislation has to ensure intellectual property safeguarding for the use of digital twins; and designs are risking to be "over-engineered" - but digitalisation and managing embedded carbon / energy is the clear way forward to fight climate change.

Take-Aways

- Digitalisation is a key but costly enabler to fight climate change, both for contractors and clients.
- Digitalisation is both legislation and market force driven: Clients must be bound to invest aligned to sustainable and carbon-efficient digital solutions and not be orientated at the lowest price.
- There is the clear need for comprehensive data protection legislation to ensure adequate business models and effective wholesome BIM / Digital Twin solutions.

SESSION SUMMARIES AND EIC TAKE-AWAYS



EIC Take-Aways

The EIC Spring Workshop has concluded with many important take-aways both for its participants and for EIC as a federation. Against this background, the EIC Secretariat has distilled the following activities for its Working Groups:

Working Group **Africa**

- EIC should promote a realistic perception of Africa's infrastructure needs within the EU Commission and DFIs.
- EIC should stress the added value of European contractors in delivering sustainable solutions.
- EIC should articulate the need for integrated planning and insure adequate private sector representation.

Working Group **Corporate Responsibility**

- EIC should lobby for ensuring an international level playing-field by lobbying for the incorporation of ESG criteria in EU and EIB-financed tenders.
- EIC should lobby for aligning ESG policy with other relevant EU Instruments. e.g. IPI and the Foreign Subsidies Instrument.
- EIC should finalise its drafting work on a Toolkit for Sustainable Procurement.

Working Group **Contract Conditions**

- EIC should share the experience of its member companies on the implementation of climate friendly construction.
- EIC should promote procurement models where sustainability aspects are applied in a transparent and objective manner, e.g. in prequalification of firms, in functional or technical specifications, evaluation criteria, contract terms and conditions or key performance indicators.
- EIC should promote collaborative forms of contract as well as reasonable sustainability mechanisms in traditional contract forms.

Working Group **Digital Transformation**

- EIC should draft a Manifesto on the digital future of the construction industry including an action plan on how to achieve it.
- EIC should lobby for better regulation on data ownership, collection and sharing as well as incorporate the digital component in procurement.

EIC DIGITAL SPRING WORKSHOP 2021 - THANK YOU FOR YOUR PARTICIPATION



TIME to get CONcrete

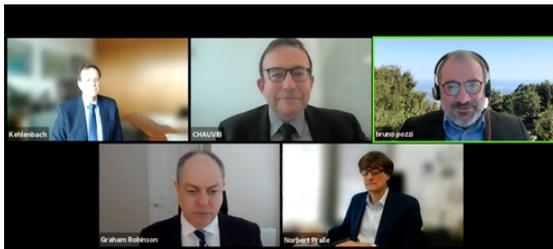
Towards a common Vision for a Resource-efficient and Carbon-neutral Construction Industry



Norbert Pfele | ZÜRICH FIBRAG | endord
Graham Robinson | Pöyry | Pöyry

EIC TURNING THE 2050 CARBON NEUTRALITY CHALLENGE INTO A BUSINESS OPPORTUNITY FOR EUROPEAN INTERNATIONAL CONTRACTORS
Digital Workshop | April 16th, 2021

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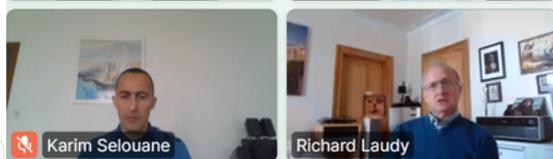


#MakePeaceWithNature



Key Messages:

- ✓ Unsustainable development is rapidly degrading Earth's capacity to sustain human well-being
- ✓ The world is failing to meet its commitments to limit environmental damage
- ✓ COVID is the wake up call & the opportunity



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