Global Sustainable Buildings Guide - Czech Republic

| Contents |
| --- |
| To generate table of contents, right-click here and select **Update Field.** |

Select a topic from the menu and explore the questions within.

*This chapter was last reviewed in February 2024.*

# Authors

# Green Certification

## Is there a nationally adopted and recognized form of certification for buildings? What is it and is it mandatory for all new buildings and refurbished buildings?

Environmental certification is still not mandatory in the Czech Republic. Over the past few years, the share of certified buildings has significantly increased, particularly for office and logistics properties. The most common certifications on the market are (i) the Leadership in Energy and Environmental Design certificate, (ii) the Building Research Establishment Environmental Assessment Method certificate and (iii) the DGNB (Deutsche Gesellschaft für Nachhaltiges Bauen), a certificate by the German Sustainable Building Council. Since 2019, the WELL Certification, which additionally assesses the building’s impact on its users’ physical and mental health, has been gaining in popularity. Since 2010, the Czech Republic has also had a national model called SBToolCZ (Sustainable Building Tool), which offers certification for building development plans and subsequent certification once the building has been constructed, with the Czech Technical University in Prague serving as the respective development and training center. However, it remains a voluntary system and has not been widely adopted.

According to a consultancy company report from 2023, a recognized building certification is seen as desirable on the market, for both new and refurbished buildings. Certifications are thus established as a relevant decision-making criterium for potential tenants, contributing to lower vacancy risk and higher rental premiums.

# Energy Performance Certificates and Minimum Energy Standards

## Is there a mandatory form of energy performance certification? When does it apply and are there any prescribed minimum standards?

The requirements concerning the energy efficiency of buildings are regulated by Act No. 406/2000 Coll., on Energy Management, as amended, and by its implementing regulations.

Compliance with the requirements is proved by the relevant building’s Energy Performance Certificate (EPC) (in Czech, průkaz energetické náročnosti budovy), which is valid for 10 years from issuance or until a major change to the building occurs. This certificate is required for all new buildings and has to be obtained for existing buildings upon the occurrence of certain circumstances (such as major reconstruction, modification of the heating solution, or planned sale or lease of the building). All buildings are classified based on their energy performance into one of seven energy classes from A to G, with A being the most efficient.

When a constructor applies for a building permit for the construction of a new building, it must submit documentation confirming that the applicable energy performance requirements (nearly zero-energy consumption standard) have been met.

The owner of an existing building must ensure that the respective energy consumption level stated in the EPC is included in the information and advertising materials when selling a building or leasing premises. If the owner hires an agent to arrange for the sale or lease of its premises, the graphical part of the EPC or a verified copy of it must be provided to the agent, so that the energy consumption information may be stated in the agent’s information and advertising materials.

# Incentives for Green Retrofit

## Are there any government-funded or sponsored schemes for improving the energy efficiency of existing buildings and, broadly, how do they work?

The Czech Ministry of Industry and Trade runs the EFEKT III, a national program established for the period from 2022 to 2027, which is intended to fund energy saving and use of renewable energy resources. Based on the information published by the ministry, the program prioritizes the preparation phase, providing partial funding for project development, advisory and designing energy management systems. The relevant application conditions and available funds are specified each year.

Another governmental subsidy program currently in place is the Green Savings Program (Zelená úsporám). The program is managed by the State Environmental Fund. It focuses on improving the energy efficiency of residential housing. Owners of multiunit houses may apply for a subsidy to implement a wide variety of energy-saving measures, including green roofs, photovoltaic panels and chargers for electric vehicles.

The ENERG program run by the National Development Bank offers interest-free loans for businesses to finance energy-saving projects. The ENERG program complements the EFEKT program and is only focused on projects implemented within Prague. The loans can be used for a wide variety of energy-saving reconstructions, including (i) insulating business buildings and replacing windows, (ii) reconstructing electricity and gas distribution systems, (iii) replacing HVAC units, (iv) installing energy-efficient lighting solutions, etc. Businesses operating in a wide range of sectors are eligible to apply.

Energy-efficient technologies using renewable energy in buildings are also funded from the EU structural funds. The environmental operational program run by the Czech Ministry of Environment also includes energy savings as one of its priorities. Currently, the areas of support in the field of energy savings focus on decreasing energy consumption and streamlining the shift from fossil fuels in selected regions.

# CO2 and Energy Targets

## Are there any national targets for CO2 reduction and/or energy use reduction from buildings? If there are, are there any exclusions?

The Czech Republic is dedicated to achieving the CO2 reduction targets in line with the EU Fit for 55 package, according to the National Action Plan of the Czech Republic in the field of energy and climate, as proposed for update in October 2023. To achieve the energy reduction goals set out by Directive 2012/27/EU on energy efficiency and the revision of Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010, the Energy Management Act and its implementing regulations are regularly amended.

Since 2020, all new building permits or notifications of a building not requiring a building permit must be substantiated by certain documents concerning energy consumption. As a standard, all newly constructed buildings must be designed to fulfill the requirements for buildings with nearly zero energy consumption. During the construction process, the building authority may require the constructor to provide the EPC (as described in "Energy Performance Certificates and Minimum Energy Standards"), prepared based on the project documentation. Only a specialist authorized by the Ministry of Industry and Trade can prepare the EPCs and carry out subsequent energy audits of buildings.

A number of specific buildings are excluded from the EPC regime. These mainly include (i) buildings that are designated as cultural monuments or are part of a cultural reservation (which covers a significant part of Prague city center), (ii) buildings designed and used for religious purposes, and (iii) relevant major changes in buildings where their owner proves — by means of an energy audit — that it is not technically or economically appropriate to meet the energy requirements with regard to the operational lifetime and purpose of the building. Furthermore, an EPC does not have to be obtained when selling or leasing a building or part of a building if (a) the building concerned was constructed and its latest major construction change was performed prior to 1 January 1947 and (b) the parties involved agree so in writing.

# Renewable Energy

## Are there any regulations requiring a percentage of energy consumption to come from renewable sources?

Renewable energy sources (wind, solar, hydroelectric, ocean, geothermal, biomass and biofuels) are strongly regulated by the EU. In 2023, the co-legislators increased the EU’s renewable energy target for 2030 to 42.5%, with the intention of reaching 45%, with the Czech Republic pledging its national contribution to this. In the Czech Republic, the basic legislative document in the field of energy efficiency and energy savings is Act No. 406/2000 Coll., on Energy Management, as amended, which implements most of the EU directives dealing with the use of renewable energy sources. The current EU and Czech strategy follows the path of incentives for renewable energy use rather than mandating strict requirements.

Under the Act on Supported Energy Sources (No. 165/2012 Coll.), several incentives are available to producers of energy from renewable or secondary sources, including cogeneration. These promotions include feed-in tariffs, auction bonuses and green bonuses. The Energy Regulatory Office determines the feed-in tariffs for facilities generating electricity from renewable sources on an annual basis and in advance for the next calendar year, and separately for individual types of renewable energy sources. However, as far as electricity generation from renewable sources is concerned, support is only available with respect to plants put into operation before the end of 2021.

# Regulation

## What other national regulatory measures are there, such as taxes on energy consumption and/or tax reliefs on energy-saving measures, that can encourage more efficient use of energy in buildings?

As a member of the EU, the Czech Republic has implemented the EU Emissions Trading Scheme via Act on Conditions on Greenhouse Gas Emissions Allowances Trading No. 383/2012 Coll., as amended, adopted in 2012. Auctions of allowances produce income, which the state uses to, among other things, finance activities leading to a decrease in greenhouse gas emissions and support industrial innovations and measures aimed at increasing the energy efficiency of buildings.

In general, energy-efficient technologies using renewable energy in buildings are also funded from the EU structural funds. As mentioned in "Incentives for Green Retrofit", the governmental subsidy program currently in place, the Green Savings Program, includes incentives for green roofs, photovoltaic panels and chargers for electric vehicles.

There are certain taxes that are referred to as ecological and that generally concern solid fuels or electricity. Certain items are excluded, such as solid fuels used for cogeneration of electricity and heat. Under Act No. 261/2007 Coll., certain tax reliefs apply to environmentally friendly electricity if certain statutory requirements are met. However, this tax only applies to taxpayers, who, as suppliers, supply electricity to consumers.

# Financing

## Are there any public or private “green” financing initiatives for sustainable real estate projects?

We have seen an emerging trend on the commercial loan market with individual banks offering better interest rates for real estate projects demonstrating sustainability ambitions and engagement to observe good environmental practices. Green clauses are also making their way into facilities agreements, and banks are privileging financing projects that aim to obtain a sustainability certification. Furthermore, banks are becoming increasingly reluctant to provide financing for real estate that uses coal for heating.

On the consumer loan market, banks offer better mortgaging conditions for financing “green” real estate, particularly for projects that are designed to achieve the A-class EPC (as described in "Energy Performance Certificates and Minimum Energy Standards").

# Planning

## Is the national or local/state government able to mandate green initiatives via the planning/zoning regime (e.g., district heating systems on large developments)?

In the Czech Republic’s new Construction Code, Act No. 283/2021 Coll., which enters into full force on 1 July 2024, sustainability plays a central role, particularly in planning documentation of higher rank, such as regional development policies or zoning plans. As a result, the proposed development projects’ impact on the future sustainable development of the affected territory is assessed. All new buildings, equipment, activities and technologies (collectively, projects) that must be assessed are listed in Annex No. 1 of Act No. 100/2001 Coll., the Environmental Impact Assessment Act.

In addition, the Construction Code requires that the building be designed, constructed and removed in such a way as to ensure the sustainable use of natural resources, in particular by reusing or recycling materials and structures from the removed building or by using raw or secondary environmentally friendly materials in the construction. This concept is also reflected and evaluated in the planning and zoning documents.

Municipalities may choose to establish a regulatory plan for a specific area, which may include conditions for a sustainable environment and green infrastructure, including the definition and use of land of the territorial system of ecological stability.

# Green Leases

## Are green leases or green lease provisions mandatory or optional? If mandatory, to whom do they apply? If optional, is there significant take up?

Green lease provisions are not mandatory in the Czech Republic. That said, green leases have been growing in popularity, with basic and rather general green clauses appearing the most often.

Large private sector landlords and their tenants regularly include provisions in leases to reflect their own internal green corporate strategies or ambitions to obtain or maintain a sustainability certification. The clauses most often prescribe basic sustainability practices and collection of and reporting on data; detailed mandatory regimes requiring measurable results or material contractual sanctions for nonobservance remain rather rare. Alternatively, green lease terms and sustainability commitments are seen attached in the form of a separate annex. In addition, landlords issuing house rules for larger commercial sites that include certain environmentally friendly language is largely considered market standard.

In addition, there are organizations, such as the Czech Green Building Council, a member organization of the World Green Building Council, supporting green practices in real estate. For its part, the Czech Green Building Council integrates companies and associations from various economic sectors related to the real estate market and the construction development industry.

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