

to pay off debt. They are also being told by the persons administering the K/S companies that they can not employ new asset management companies. Despite this, we think there are steps limited partners can take to protect their investments. They need to learn more about their investments and take actions, such as helping tenants survive, in order to protect their investments. They should seek advice from qualified

professionals who know and understand the real estate industry. They need to clarify their contractual obligations and insist that their investments are properly managed and the management and the documents it enters into on their behalf comply with the investment prospectus and the limited partners expectations. They also need to resist improper attempts of junior creditors to call loans without senior creditors' approval.

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An overview of real estate environmental issues in France

The 'Grenelle de l'Environnement' was first an Environment Roundtable that brought together representatives of national and local government, organisations and business sectors, to address environmental issues.

The round table led to the Grenelle I Act, which defines the environmental targets, and the 'Grenelle II' bill adopted at first reading by the French Senate, which provides the legal, economic and regulatory means to achieve the environmental goals and sets a timeline for tackling sustainable development issues.

The French real estate legislation promotes the standardisation of low energy consumption standards, especially for new buildings, and provides incentives for the renovation of existing buildings and heating systems.

Below is an overview of the main commitments made more specifically regarding energy issues, which are likely to have an effect on real estate transactions.

These commitments and the resulting consequences must be taken into consideration and anticipated when investing in real estate in France.

Grenelle Environment Roundtable

The main commitments affecting the real estate sector are:

Improving the energy performance of buildings in order to reduce the energy consumption of all existing buildings by 38 per cent before 2020 and that of new buildings.

From 2012, applications for planning permission will have to include an energy

balance report showing that the building has an energy consumption of below 50KW/m²/year on average.

By the end of 2020, all new buildings will have to have a primary energy consumption below the amount of renewable energy produced.

Confirming the town planning code as the tool for land use planning and sustainable development, by simplifying planning tools.

Outside protected areas, a mayor could not deny planning permission on the grounds that the building uses renewable energy sources or materials (eg, photovoltaic cells).

The town council could authorise a planning density exceeding that set forth in zoning regulations by up to 30 per cent, if the relevant buildings have a particularly high energy performance.

A new label: 'high energy performance renovation'

This new label will be awarded to certain existing buildings renovated in such a way as to improve their energy performance.

It supplements article R 131-28 of the French Building and Housing Code, which provides that energy performance is assessed based on the:

- constituents of the building envelope;
- heating systems;
- hot bathing water production systems;
- cooling systems;
- facilities producing energy from renewables;
- ventilation systems; and
- premises lighting systems.