

## EURELECTRIC'S RESPONSE TO THE EUROPEAN COMMISSION'S PUBLIC CONSULTATION ON

### "FINANCIAL SUPPORT FOR ENERGY EFFICIENCY IN BUILDINGS"

#### *Key Principles for Financing Energy Efficiency Measures*

While stating our support for measures aimed at promoting an effective market for energy services, we also acknowledge that the market will not necessarily stimulate the early uptake of all cost-effective energy efficiency measures, particularly those with high energy saving potential but with high upfront capital investments resulting in long payback times.

In case of market failure, public intervention might be needed to finance or co-finance certain activities. Funding mechanisms should reflect local realities; thus we do not support a "one-size-fits-all" approach. The choice regarding whether and to what extent public funds should be granted should be left to individual member states.

Nevertheless, EURELECTRIC believes that certain principles should apply when designing policy measures:

- Coordination between public funding sources would be needed, to ensure that resources are used effectively and as part of a strategic approach.
- Public funding should be used to complement, and not in competition to, the market for energy efficiency measures, with the aim of promoting positive spin-off effects for society.
- Transparency and accountability should be ensured when designing mechanisms for raising and distributing public funds for energy efficiency;
- Public funding needs to be non-discriminatory, i.e. open to all market players, including energy companies. Exclusions that lead to market distortions must be avoided.

## ***Issues to Consider when Designing Financing Programmes***

### Long-term perspective

- In the context of the evolution towards low energy buildings, electricity can contribute to enhance the EE in buildings and will play a major role to gradually replace fossil fuels (e.g. heat pumps) and cover the (residual) energy needs.
- Energy efficiency measures in the buildings (especially in case of renovation) must be seen in a long-term perspective.
- The Energy Performance of Buildings Directive (EPBD) offers a good framework for new buildings; however, for existing buildings it does not offer many incentives.

### Drivers for investing in energy efficiency

- There is an urgent need not just to examine what the barriers are but why those who have taken up measures have done so (in the domestic sector, in many countries, this appears mainly to be for comfort and health reasons, with environment/efficiency being low on the list of stated goals).  
Without detailed knowledge of the real reasons people invest in energy efficiency it is hard to design appropriate large scale promotion activities.
- Energy efficiency is, to a large extent, a behavioural issue. Command and control measures (minimum standards for products, energy labelling, upgrade obligations etc.) and communication campaigns have a role in overcoming acknowledged market barriers.

### Costs

- Energy efficiency measures must be cost effective: a clear distinction should be made between the theoretical technical potential and the economic one (ex: defend the highest efficiency class of devices could be unrealistic),
- Energy efficiency measures have a cost and that cost, including the transactional part, will be passed through to the customer/tax payer, either directly (for their own benefit) and/or through some socialised arrangement where all customers pay for selected classes of customers
- Increased energy prices are the most effective general motivator BUT also can constrain economic development: finding the right balance will depend also on social, cultural and geographical circumstances.

## Access to capital

- Access to capital is increasingly difficult in all MS for most actors and practically impossible in member states suffering severe economic adjustments (and without capital the targets cannot be met)
- Consequently, that any solution must address 2 phases – options during the current downturn (where the focus should primarily be on new investments) and options during and following recovery.

## Methodology

- There should be clear rules guiding the use of finance from multiple sources to ensure the maximum benefit to consumers and carbon reduction. Principles of additionality should be applied sensibly, with the combined principles of consumer benefit, carbon reduction and market development in mind.
- Avoid too prescriptive ex-post measurement and control system which could kill an efficient measure.
- Investment in, and the practical delivery of, energy savings must be made simple, in particular through the use of ICT technology: smart meters and intelligent devices can play a significant, although not exclusive, role in simplifying this process.
- It is important to encourage all stakeholders (and not just parties bound by legal or regulatory obligations) to be active participants in the Energy Efficiency Market with clear accountability where required and visible rewards for collaboration, delivery and good practice.

## Matching financing of energy efficiency measures with end-users' awareness

- Financial support for energy efficiency measures can be directly financed via fiscal (tax rebates)/financial instruments (premium), or indirectly via a CO<sub>2</sub> tax (non ETS). There should be the possibility to choose between tax deductions, financial contributions and credits. The procedure for applying for financial support should be as easy as possible
- Complementary awareness-raising incentives/requirements on end-users and property owners would be effective in creating more demand for energy efficiency services. Examples include housing taxes linked to energy efficiency, tax deductions for installing energy-efficient measures, and a requirement for rented property adverts to show the energy bill alongside the rent (so that both household tenants and SMEs can factor in energy costs when deciding whether to rent properties/premises).
- In order to enhance transparency and full awareness prior to a decision being taken, the energy consumption and CO<sub>2</sub> emissions of apartments and offices should be clearly indicated in the renting advertisement and contract.
- Information and motivation of investors / owners are key: one solution could be to stronger financially support qualified energy consulting. A model like this already exists in Lower Saxony, Germany, whereby the full amount for the consultation will only be paid once measures have been taken.

- “One-size-fits-all” solutions for raising financing in energy efficiency do not work: solutions should be tailored to local circumstances.

For example, on page 5 of the consultation paper the Commission mentions the possibility to "to establish energy saving schemes in all Member States: energy distributors or retail energy sales companies will be obliged to save every year 1.5 % of their energy sales, by volume, through the implementation of energy efficiency measures such as improving the efficiency of the heating system, installing double glazed windows or insulating roofs, among final energy customers". A recent study by the German Economy Ministry (conducted by Ecofys, Fraunhofer Ise and Öko Institut) on costs and benefits of different market based instruments to reach energy efficiency has shown that energy saving schemes are not suitable to gain energy efficiency in buildings. The study came to the conclusion that energy saving schemes are less suited for energy efficiency in buildings, in particular for ambitious building renovations, compared to alternative policy instruments.