



# EUROCITIES response to the Commission consultation on financial support for energy efficiency in buildings

Energy efficiency of buildings is high on EUROCITIES' agenda. As European city governments we ourselves manage extensive portfolios of public buildings. We are also able in some measure to regulate, incentivise and assist the improved energy performance of private premises. However, many challenges remain, in particular when it comes to the 88% of buildings that are privately owned.

## 1. Addressing market failures

We agree with the Commission's assessment that the market alone does not sufficiently deliver on energy efficiency in buildings, and we believe that significant improvement is possible through:

- Better information for consumers about their energy consumption. Energy bills should be clear and easy to understand, and energy suppliers should send their customers monthly energy consumption statements. As opposed to monthly billing, consumption statements would avoid disparities in monthly expenditure, which can be challenging for low-income households. Where monthly consumption statements would lead to a disproportionate administrative burden on energy suppliers, an alternative could be to first introduce smart(er) metering and professional energy management in large buildings.
- Better information for landlords and tenants about energy efficiency. Both often lack information or fail to think of the longer term when it comes to energy efficiency measures and their potential for saving energy and costs. We would welcome continued financial support for city authorities to:
  - raise citizen awareness and train citizens in efficient use of heating and electricity
  - build trust between the different market actors on the effectiveness of energy efficiency refurbishment
  - inform owners, including landlords, about the long-term financial and other benefits of refurbishment
  - exchange best practice between cities on awareness raising and training
- Better training and information for architects, craftspeople, owners and other stakeholders. Those active in the building sector are more likely to offer energy efficiency improvements if they are trained and informed. Training should address not only energy efficiency but also the impact of refurbishments on occupants' health and the overall condition of the building. Local authorities have a role to play, as they are close to the, often small, businesses involved. We would welcome EU support for funding, guidelines and support for exchange of best practices. The next European Social Fund (ESF) in 2014-2014

should take this into account.

- More EU funding for demonstration projects on managing refurbishments and innovative techniques that make renovation quicker and more convenient for tenants and owners.
- More reflection on how to address the problem of growing demand for affordable housing in many cities and decreasing demand for housing in others. A sellers market gives landlords and developers little incentive to improve quality and energy efficiency. Where cities are shrinking, this often leads to partly unoccupied buildings, where the empty and therefore unheated dwellings increase heating losses from dwellings around them.

## 2. Improving access to financing

We agree with the Commission that access to funding for improving the energy efficiency of buildings is not adequate, and that available funds are often not used. Funding instruments should become easier to access and address the most important market failures.

- City authorities should have direct access to relevant EU funding, and all EU funding instruments should be compatible with national law in all member states. Unfortunately, this is still not the case with JESSICA<sup>1</sup>, where cities can only access funding through managing authorities, even though the programme was set up specifically for urban areas. Furthermore, due to national legislation, JESSICA cannot be used in all member states.
- Funding programmes at EU, national and regional level should be less complex, longer-term, stable and better aligned to energy efficiency regulation.
- Funding should support an integrated approach to improving energy efficiency that takes into account aspects such as the living environment of occupants, maintenance, protection of historic monuments and social considerations. We welcome the Commission's ambitions to have a more integrated approach to different EU funding programmes, such as ERDF, ESF, Horizon 2020 and LIFE. However, multi-fund projects will only be possible if the rules for the different programmes are harmonised, and if the overall application procedures and funding rules for combined funding are straightforward and simple.
- Guarantee schemes that assure energy savings to building owners should be introduced on a wider basis. The EU should encourage guarantee schemes with support for exchange of best practices across member states and regions as well as between local authorities. Member states should ensure that national legislation allows for guarantee schemes.
- Funding should include revolving funds but also grant funding, such as for:
  - subsidising refurbishment where necessary, especially in the case of low income households, where refurbishment costs cannot be recuperated through higher rents
  - training, awareness raising and demonstration projects
  - establishment of guarantee schemes
  - low interest loans
- EU financial support can enable public authorities to develop a range of funding instruments (e.g. subsidies, inexpensive loans) that can be adapted appropriately to different target groups. For instance, private building owners often prefer subsidies to loans, whereas low interest, easily accessible loans can be a suitable instrument for public

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<sup>1</sup> Joint European Support for Sustainable Investment in City Areas

or corporate owners.

- Where they are not yet available, national and regional helpdesks should be established to provide information about existing funding instruments at different levels (EU, national, regional).
- We see particular potential for partnerships with the private sector to bridge the gap between upstream investment for energy efficiency and downstream payback. In particular city administrations would benefit from guidance and best practice models in respect of energy service companies (ESCOs). The EU, member states and regions could also provide support in the form of training, guidelines and support for building consortia of local authorities on energy efficiency measures.

### 3. Strengthening the regulatory framework

The proposed Energy Efficiency Directive would only cover only the 12% of buildings stock that is publicly owned. Consequently, future regulation should target private buildings and simplify energy efficiency measures and their funding.

- There should be a clear legal framework for sharing the financial costs and benefits of improving buildings' energy efficiency to address the split incentives between landlords and tenants. Currently, owners often do not have a sufficient incentive to refurbish because they do not benefit from energy savings. A framework on how to include the energy performance of a building or apartment into the rental fee could be helpful. Alternatively, it may be helpful to allow for the cost of refurbishment to be added directly to the rent over a certain period, capped at the amount of savings it generates.
- EU legislation should ensure that energy bills are simple and easy to understand.
- Regulation should leave cities sufficient space to act. The housing situation and building stock vary greatly not only between countries but even between different city districts. Imposing certain energy efficiency measures will not be cost-effective in many cases. It can even be counterproductive when it prevents an integrated approach to renovations, which otherwise could serve other goals in addition to energy efficiency, such as protection against noise or better indoor air quality. Overall energy efficiency targets remain the better way forward.
- Energy efficiency regulation should be better implemented. Member states and the EU should work together with the local and regional level to monitor the effects of regulation on the ground and act if:
  - control mechanisms are insufficient
  - the market does not respond to measures such as energy certificates

### Conclusions

City authorities are key to increasing the energy efficiency of buildings in the EU. As they are closest to citizens, SMEs and building owners, they are best placed to raise awareness, assist with energy efficiency measures and support a holistic, integrated approach that brings all relevant actors and needs together. City actions on energy efficiency must be supported by an effective legal and financial framework at the EU, national and regional level that enables cities to act and provides the right incentives for the private sector.