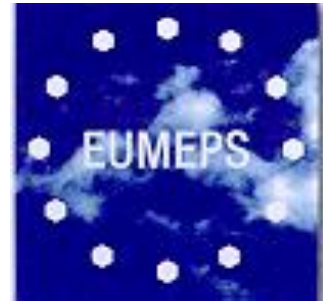


EUMEPS answers to questions from
“The consultation on financial support for energy efficiency in
buildings”



European Manufacturers
of EPS Insulation

Consultation questions

(1) Addressing market failures

(a) Are the barriers identified in this document the most important ones? If not, which barriers are missing and why are they important?

EUMEPS answer:

Yes, the most important barriers and market failures are identified in general. We want to emphasise the importance of an overall coordinated approach for the whole framework influencing energy efficiency of households, not separately focussing on the financial element as such. The documents as produced in 2010 by WBCSD give a detailed description of all elements in this framework (see attachments).

Two barriers we would like to stress as being very important:

- The lack of mandatory mid- and long-term saving targets results in free, non-committal national frameworks. Missing a non-binding energy savings target is not perceived as a real problem by the government. There is no problem, no sense of urgency and therefore no commitment to really change the status quo.
- Careful planning and communication of financial instruments is essential to create the desired effect. Many financial instruments are time limited. The start up and ending of these instruments creates a lot of turbulence through the whole supply chain. At the political discussion of starting up a stimulating measure all activity drops dead, to maybe 50% of the normal level, waiting for the outcome. Once the measure is available the backlog demand creates activity on a level of let's say 150% of the normal level. Once the stimulus comes to an end the activity level drops dead to again around 50% of normal level, only to recover to the normal 100% level in about one year. It doesn't need further explanation that by following these demand patterns the supply chain is not operating at an economically optimal way. On top of that a considerable risk is created because it is questionable if the companies involved have sufficient qualified and experienced employees to meet this demand pattern.

(b) Which market failures would be most urgent to address? At what level (i.e. EU, national/regional/local) would these failures be best addressed?

EUMEPS answer:

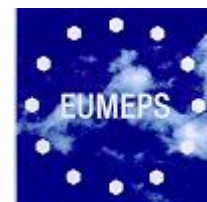
The whole framework, like well described in the consultation document, makes it difficult to change the status quo. The lack of mandatory, binding

EUMEPS Construction - Weertersteenweg 158 - B-3680 - Maaseik -
Belgium

phone: +31 89 756131 - Email: e.meuwissen@eumeps.org -

www.eumeps.org

VAT: BE 453.127.976 - International/non-profit association



mid- and long-term EU level saving targets is the biggest problem. Some countries take the voluntary targets more seriously than other countries, but in general the current situation results in free, non-committal national frameworks, leaving a big part of the potential untapped. Missing a non-binding energy savings target is not perceived as a real problem by the government. There is no problem, no sense of urgency and therefore no commitment to really change the status quo.

To achieve the targets a well designed system should be developed incorporating a set of cascading binding targets (what and when should be achieved by who) on the one hand, but leaving autonomy on how to achieve this on a level as low as possible taking into account the specifics of the local situation.

(c) How could these failures be best addressed? For example; how could behavioural change needed for quicker uptake of energy efficiency measures by society be triggered at the national level?

EUMEPS answer:

The only way to do so is to design a system incorporating a set of cascading binding targets (what and when should be achieved by who) on the one hand and to leave autonomy on how to achieve this on a level as low as possible taking into account the specifics of the local situation. Locally is the best available knowledge what the main failures are in that specific situation and what is needed and most (cost) effective to overcome those failures.

How could the development of an energy services market for households be further stimulated?

EUMEPS answer:

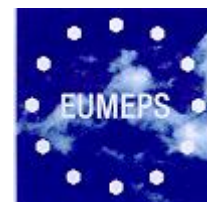
Energy service companies and ESCOs e.g. by regulation could be encouraged to contribute to savings of energy consumption by households. So it could be an effective element of the total Energy Efficiency framework. The importance of this element at this moment varies a lot per country. If the current proposals for the Energy Efficiency Directive would be realised a lot might change in the situation. Critical aspects in measures in this direction are:

- Is the saving measure really realised at the place where energy is consumed: at the households?
- the right balance between the need for proving the realisation and effectiveness of the saving measure and administrative burden of it.
- It needs attention that to avoid confusion in the market the methodology used to quantify the savings of saving measures harmonised within Europe and is alligned with the EPBD cost optimal approach.
- The service life of measures should be appropriately taken into account and
- no sub-optimisation and lock-in effect should be created by accepting a short term approach aiming for low hanging fruit. Therefore financial measures should only support (steps being part of) deep renovation of buildings fitting into a 80% savings target by 2050.

What could be done to increase awareness raising and promotion of energy efficiency in buildings?

EUMEPS answer:

As mentioned before all measures should be seen as elements of a total framework. Promotion is an essential part of this framework, making clear to all parties involved why and how to take energy efficiency measures.



How could the business community (e.g. building sector, ESCOs, local banks, etc.) be better supported in delivering energy efficiency in buildings?

EUMEPS answer:

The supply chain probably is probably best supported by a quick change of EE regulation for new built as well as renovation in the direction of NZEBs level. Preferably this is done in a minimum number of steps, because every step taken towards this ultimate goal needs mutual adaptations in all links in the supply chain. This causes delay and adaptation costs.

The financial incentives should primarily focus on facilitating the investments e.g. low interest loans.

The overall running costs for the end user of a building including EE measures is not the main barrier as these costs should not be higher than before executing the EE measures surely when the costs of CO2 emission are made financial.

How could the split incentive problem be best tackled?

EUMEPS answer:

The biggest contributions to the “split incentive” problem would be that it would be allowed to the landlord to increase the rent of a building proportionate to the expected savings by EE measures.

The other way around obligations should be there towards the landlord to improve the EE of their building stock. No increase or maybe even a decrease of the rent should be possible in case of failing to realise the necessary energetic refurbishment.

(2) Improving access to financing

(a) Are the current EU-level financial tools for energy efficiency in buildings effective? How could the uptake of EU-level funding for energy efficiency (including cohesion policy funding) be improved?

EUMEPS answer:

Most current financial instruments focus on big investments for big projects. To reach the household level the financial instruments should be adapted to inform all the parties involved in the decision making process for these buildings, to handle these multifold smaller projects, without high barriers to go through the process. Like mentioned above: careful planning and communication of financial instruments is essential to create the desired effect. Up until now many financial instruments are time limited, which creates a lot of turbulence through the whole supply chain at the start up and ending of these measures.

(b) As a complement to tailor-made national or regional financial instruments (e.g. set up with a contribution from cohesion policy funds), what could be the future role of centrally-managed financial instruments at EU level in this context?

EUMEPS answer:

Financial measures directed at EE could play a crucial role for making these investments, especially but not only in the less developed countries in Europe. The EU could obtain the money at much lower interest rates than these countries could. Providing the funds to facilitate low or no interest loans could serve many crucial EU targets: economic development, employment, avoiding energy poverty, resource efficiency, energy security, saving of energy, money and CO2 emission.

How could more private financing (both from institutional investors as well as building owners) for energy efficiency projects be mobilised?

EUMEPS answer:

The payback time of many EE measures is longer than usual for many investments. If this barrier needs to be overcome some form of financial or



regulatory incentive is inevitable to attract private money. Otherwise public money in the form of low interest loans seems most appropriate.

What would be the role of public funding (both at EU and national level) in this context?

EUMEPS answer:

See previous question.

Is access to (project development) technical assistance an issue and how could it be provided most efficiently at the national, regional and local level?

EUMEPS answer:

No opinion

How could both national and EU financing schemes be improved to best cover all segments of the market (residential, commercial, public buildings, etc.)?

EUMEPS answer:

The schemes and their administrative burden should be proportionate to the size of the projects. Probably the different support schemes should be channelled to one scheme at the local level to avoid confusion by numerous schemes with different conditions and methods applying to them.

(c) Is there a need for guarantee systems related to building efficiency investments? If so, what guarantee systems for efficiency investments would be necessary and how should they be designed?

EUMEPS answer:

In many cases there is not only the technical effectiveness of mix of EE measures but there is also big dependence on behaviour by the end user of the building.

Is there a need for other enabling mechanisms (e.g. risk-sharing, investment vehicles)?

EUMEPS answer:

No experience with such mechanism so no opinion.

(d) How could the capacity, knowledge and risk perception regarding energy efficiency investments be improved, both at financial institutions as well as with private investors and administrations at all levels?

EUMEPS answer:

Disemination and promotion of all already available research results.

(e) Are there examples of good practice at national or regional level (with data on costs and benefits) that could be applied more widely?

EUMEPS answer:

May example projects are already available. Up until now the total mix is just not convincing enough to create a significant shift.

(3) Strengthening the regulatory framework

(a) Is there any need for further EU-level regulation to stimulate energy efficiency investments in buildings beyond the Commission proposal for a new Energy Efficiency Directive?

EUMEPS answer:



A swift realisation of a compromise somewhere inbetween EU parliament and commission opinion would be very welcome. Delay and watering down of the proposals by council intervention would hamper progress and leave Europe in the current situation of rather free, non-committal national frameworks, leaving the biggest part of the EE savings potential untapped.

If so, what should these measures entail?

EUMEPS answer:

Binding mid and long term targets aiming at 80% energy savings by 2050. A cascading structure how to break down this target from EU to lower levels. National action plans and roadmaps how to arrive at these targets describing the development of the total framework over time. The framework including all measures might look different from country to country.

(b) What could be specific measures to be taken at national level to implement and complement most effectively the EU-level regulatory framework for energy efficiency?

EUMEPS answer:

- Binding saving targets in line with the EU 80% reduction target by 2050 broken down into a cascading system.
- Binding refurbishment rate of 2-3 % /year
- NZEB levels for new as well as renovation ASAP in smallest number of steps

What are the specific needs for policy guidance and awareness raising among different stakeholder groups?

EUMEPS answer: it should be made clear and promoted what the societal benefits are of supporting and enforcing Energy Efficiency measures:

- Economic savings effects
- Employment effects
- Energy and resource security
- Environmental effects