



*European Commission
DG Energy - ENER.C3
Energy Efficiency
Rue De Mot 24-26
B-1049 Bruxelles
Belgium*

RE: Financial support for energy efficiency in buildings

Dear Madam / Sir,

EDF DÉMÁSZ is thanking you the opportunity to respond to your call for public consultation on Financial support for energy efficiency in buildings.

EDF DEMASZ is a significant player in Hungary's energy market with activities throughout the value chain (renewable generation, electricity distribution and energy supply to end users). EDF DEMASZ operates a distribution network of 32000 km and has 750 000 customers, both residential and business accounts.

You can read our answers to each questions asked below.

I 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?

- One of the main barriers to an effective energy efficiency campaign is the **artificially low energy prices**. Short sighted consumer protection aspects in certain markets distort real energy costs and prevent consumers to make decisions that would provide a societal optimum on the long run.
- Recent initiatives on **product labeling and building qualifications** provide an promising solution to the lack of sufficient information in this field. Information campaigns and the above initiatives should be financed and promoted on a European level.

(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?

- For any investment to materialize, investors need a **predictable economic and regulatory environment**. We feel that certain governments fail to adequately address this issue at national levels, although a successful EU action in this field seems unlikely in the short term. Current and expected future EU legislation, however, is suitable to address technological and legal issues.

- Existing and planned incentives at national levels (notably in Hungary) seem appropriate, however are ineffective due to **lack of funds**. Subsidy systems should be ongoing and stable, as opposed to irregular campaigns which last a few days only.

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

- Energy and environmental policies should be stable and give a visibility for the next 10 years.
- Developing ongoing programs for households, especially addressing the needs of the vulnerable customers (in most cases they should be the target audience of such programs, since those who can afford the insulation and renovation projects, are more often completing these works without external support).

II 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? 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?**

- The EU should focus on better information and visibility concerning **resource allocation** of EU-level financial tools. In the current framework, EU subsidies are used with varying efficiency in the different countries, there are seemingly no effective control over the spending of EU funds. Member states should also exchange ideas and best practices, reduce campaign costs by sharing creative concepts and marketing material, etc.

(b) **How could more private financing (both from institutional investors as well as building owners) for energy efficiency projects be mobilised? What would be the role of public funding (both at EU and national level) in this context? Is access to (project development) technical assistance an issue and how could it be provided most efficiently at the national, regional and local level? How could both national and EU financing schemes be improved to best cover all segments of the market (residential, commercial, public buildings, etc.)?**

- The main reason ESCO projects are not self-financing is that externalities such as climate effects are not taken into consideration. Subsidized loans and penalties (taxes) on worst performing units could incorporate societal aspects into the private investors decision making. Subsidies could be financed from carbon quote money, for example.

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

- **State guaranteed loans** could help promote energy efficiency programs. PPP (private public partnership) is also a solution to assure investors that most of their financial and regulatory risks are covered.

(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?**

- Governments should negotiate **attractive programs with financial institutions**, possibly backing them with state guarantees. Information on returns on previous projects should be shared and

published for investors, whether institutions or individuals. Banks could also be involved in promoting specific loans to the public, with the dedicated aim of improving energy efficiency of buildings.

- **Public building renovation** needs funding and blueprints for successful programs – at this level EU legislation could also force national players to update their infrastructure to a required level.

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

- Obligation of **certification of environmental performance** of existing buildings for sale (Hungary).
- **The National Energy Strategy of Hungary**, published in 2011, contains many positive elements and the energy management of buildings is one of its focal points. As mentioned above, lack of funding currently prevents the realization of its goals.

III 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? If so, what should these measures entail?

- There is a need for European labeling and certification requirements for the quality of **construction materials**.
- We also propose to increase **minimum requirements for existing buildings'** environmental performance, with special focus on public buildings.

(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?

- We believe the current programs have all the potential they need to achieve their goals. What is needed probably is better coordination at EU level, providing sufficient funding, and convincing stakeholders that energy efficiency of buildings is one of their best investment options – as we certainly believe it is.

(c) What are the specific needs for policy guidance and awareness rising among different stakeholder groups?

- Transparent, stable and more predictable regulatory framework.

Thank you again for providing the opportunity to express our opinion and for taking stakeholder contributions into consideration.

Yours sincerely,

Peter Marki-Zay

Head of Strategy and Regulation

EDF DEMASZ Zrt.