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## **CONTRIBUTION TO THE CONSULTATION ON 'FINANCIAL SUPPORT FOR ENERGY EFFICIENCY IN BUILDINGS'**

- A large share of primary energy we use in Europe is to cool/heat our buildings.

There is a huge potential, especially in high-density urban areas, to decrease the use of primary energy in the building sector by substituting individual boilers –typically using fossil fuels- with district heating using waste heat/renewables.

This potential is however not realized because of remaining barriers to the further development of district heating and cooling (DHC). Measures on financing energy efficiency in buildings should be designed in a way that they promote the development of efficient district heating and cooling.

- The objective of policies on the energy efficiency of buildings is a building stock that is more resource-efficient – i.e. use less primary energy.

The EPBD's approach allows to reach this objective by actions on the building envelop and/or connection to alternative systems.

- **Financing of energy efficiency in buildings shall reflect this focus on primary energy savings and address all options to increase performances of buildings including the connection to /development of efficient DHC.**

## **On barriers and ways to improve the current regulatory situation:**

### **Saving kWh or saving primary energy?**

- The different heating/cooling alternatives on the market have not the same ‘weight’ in terms of primary energy. Because of losses in the transformation sector, electric heating (electric resistance heating) will for instance use much more primary energy than district heating and other heating options, as illustrated in the table below.

**Figure 1: Primary Energy Factors of different fuels<sup>1</sup>**

Primary energy factors of different fuels	
Heating option	PEF
Electricity (European average)	2.5 <sup>2</sup>
Efficient District Heating	0.8 <sup>3</sup>
Gas	1.1 <sup>4</sup>
RES – wood products	0.07 to 0.10

**A focus on end-use solutions** is a barrier to the emergence of an efficient building park as it disregards the ‘quality’ of the different alternatives on the heating/cooling market by neglecting the losses/savings achieved in the upstream (transformation and transport/distribution).

The financing of energy efficiency in buildings should relate to the savings of primary energy in order to:

- Allow a holistic approach by measures addressing all possibilities to increase energy efficiency at each stage of the energy chain (e.g. CHP/efficient use of renewables)
- Support urban policies to develop eco-districts;
- Enlarge the mix of actions available to member states to increase buildings’ performances.

In Germany, the KfW programme is a good example of a scheme targeting homeowners, private builders, landlords and housing companies, which level of support to efficiency measures is conditioned on the amount of primary energy savings.

### **The ETS: a barrier to energy efficiency**

- **The ETS has been a barrier to energy efficiency on heating/cooling markets, as it** covers only large installations, leaving out of scope the overriding share of emissions on the heating market. The result of this situation is that the ETS does not credit DH operators with emissions reductions achieved in the non-trading sphere when a district heating network will grow and substitute fossil-fuel boilers.

<sup>1</sup> Source: Annex E in EN 15603 ‘Energy performance of buildings – overall energy use and definition of energy ratings’

<sup>2</sup> On the basis of Eurostat Statistics. The standard provides values between 0.50 (electricity from hydraulic power plant) to 3.14 (mix UCPE).

<sup>3</sup> Draft Directive on energy efficiency

<sup>4</sup> Value of German regulation

Measures to ensure that the whole heat market gets the same CO<sub>2</sub> signal is necessary to remedy to this pernicious situation that gives a competitive edge to the least efficient options – and contradicts the objectives of efficient buildings. (cf page 8 on ‘market failures’)

We should add that the ETS and the internalization of CO<sub>2</sub> costs for the non-ETS sector will not be sufficient to trigger the development of eco-districts and DHC. The involvement of communities/cities will continue to be decisive to develop efficient local energy systems and trigger the emergence of a more efficient building stock.

#### **Financing of local infrastructures off the radar of European policies**

- Financing support to infrastructures at EU levels should not be limited exclusively to electricity and gas networks, but should also be open to efficient urban infrastructures such as DHC.  
A reflection on mechanisms to attract more investments into efficient urban infrastructures and mitigate risks would therefore be needed to reach the 2020 objectives and realize the potential of DHC.

#### **Addressing obstacles to renovation**

- **Rules of condominium ownerships** are barriers to energy efficiency on some markets, especially when the agreement of all co-owners is needed to undertake refurbishment of a building – e.g. insulation, modernization of district-heating substations. These rules should be simplified to ensure that modernization can go ahead at a swift pace.

#### **On the Commission’s draft regulations on cohesion funds and ERDF (perspective 2014-2020)**

- The draft regulations proposed by the Commission in October 2011 exclude ETS installations from the scope of funding and will therefore exclude support for investments to modernize DHC.
- These regulations should be amended to ensure full consistency with the draft Directive on energy efficiency, the EPDB and the 2020 objectives.  
If not amended, these regulations would become obstacles to the optimization of local energy systems, in particular in Central Europe where there is a big potential for energy savings.
- More in the EHP policy paper available [here](#).

*Euroheat & Power is the international association representing the combined heat and power (CHP), district heating and cooling (DHC) sector in Europe and beyond. Euroheat & Power unites 23 national CHP/DHC associations and has individual members (utilities, equipment suppliers and research institutes) in more than 32 countries.*

Contact: Sabine Froning, Managing Director/Eloi Piel, Senior Adviser European Affairs  
[eloi.piel@euroheat.org](mailto:eloi.piel@euroheat.org)

Telephone: + 32 (0)2 740 21 10

Website: [www.euroheat.org](http://www.euroheat.org)