bureau international du béton manufacturé
international bureau for precast concrete
internationales büro der beton- und fertigteilindustrie

BIBM - European Federation for Precast Concrete

Financial Support for Energy Efficiency in Buildings

Response to Public Consultation

BIBM (an acronym of "Bureau International du Béton Manufacturé") is the European Federation of Precast Concrete Industry, established in 1954, represents the interest of precast concrete industry of 17 European countries with a combined industry turnover of 21 billion Euro, directly employing approximately 164,000 European citizens.

(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?

Indeed, we agree that the identified market failures constitute a real problem for the market. Differences between cost and value, the split incentive problem and lack of information on the benefits of energy efficiency (EE) are among the most important issues.

The construction industry's contribution to GDP has declined from 8% in 1999 to 5.5% in 2010 in spite of the funds that were made available from the EU structural funds (the construction sector came number 2 after the car industry in that respect) but this source of funding does not appear to have been tapped by the construction industry.

Furthermore, there are some other barriers to energy efficiency of buildings:

- *EU policies focus mainly on the supply side*
- *Lack of investment capital. The construction of energy efficient buildings, retrofitting old ones or demolishing and rebuilding have high upfront investment costs and consumers struggle to find financial support.*
- *Lack of reliability in energy efficiency. This problem is linked to the low awareness of the benefits of energy efficiency. There is an uncertainty associated with energy/ cost savings.*
- *Lack of **consistent** understanding of "green", "nearly zero energy efficient" and other ill-defined terms.*
- *Low priority on energy saving. Homeowners are not motivated enough to opt for energy efficient options when it comes to building new homes, therefore energy saving is low on the list of priorities. This example is partly linked to the low awareness of the benefits of energy efficiency.*

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- *Difficult access to public support, lack of transparency. Sometimes there is only support for very expensive fundamental renovation – and not for affordable step by step approach.*
- *Lack of skilled people (handcraft)*
- *Different national certification schemes to certify energy efficiency*

(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?

The most urgent "educational" problem is to raise the awareness of the benefits of energy efficient buildings along with the available options.

The most urgent "practical" problem is to find more financial support to undertake new projects (individuals in particular). Homeowners face difficulties in identifying financial support (limited bank loans supporting these kinds of investments, short payback time, time constraints: loan process, limited tax benefits for energy efficiency.)

A common EU approach is needed; the coordination of regional implementation of the measures could improve the chances of success.

Furthermore, investments must be injected in education of skilled workforce (apprentices, trainees).

(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? What could be done to increase awareness raising and promotion of energy efficiency in buildings? How could the business community (e.g. building sector, ESCOs, local banks, etc.) be better supported in delivering energy efficiency in buildings? How could the split incentive problem be best tackled?

Actions proposed:

- *The establishment of a single, clear energy label for buildings*
- *"Information failure" is correctly identified as a problem. The trend towards the use of eco-label or ecodesign measures should be avoided in the case of construction products as these tend to encourage assessment on the basis of individual parts, rather than the whole building (which is most relevance of energy efficiency).*
- *Awareness-raising campaign for better understanding of cost and value in the case of an energy efficient building*
- *Promote a **Life Cycle approach** and **acknowledge rebuilding** as a solution. Even*

though rebuilding has higher initial costs than refurbishing, the investment is soon recovered by lower building running costs; consequently, rebuilding can be the most cost effective solution for the long-term.

(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? 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?

Actions proposed:

- *The EU must continue to support Member States in developing focused national programmes; provide more funding for technical assistance on the use of structural funds.*
- *When it comes to granting fund and providing financial support to projects, the EU must decide according to the* ***building performance in terms of energy used over its whole life cycle.***
- *The EU must encourage industry to actively participate in R&D programmes by establishing and reinforcing public-private partnerships.*
- *When funding is made available, there should be measures put in place to ensure it is used as intended. Barriers for access to such funds (such as where MSs are required to put up matching money in order to gain access to funds) should not be so high as to prevent their effective use.*

(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.)?

Actions proposed:

- *Investors often refer to the payback time as an indicative value of their investments; however this is often a disadvantage for energy efficient investments. Therefore, the EU and MSs must make efforts to avoid the common use of such indicators. The benefits of building an energy efficient home are realised after the payback time.*
- *Banks should be more supportive concerning these kinds of investments. Support from EU funds to lessen the risk for banks would make this more attractive to them.*
- *EU should remunerate building energy efficient houses by implementing tax benefits for energy efficiency.*

- *There is a national financing model in Austria, called "Bausparen" which works well in terms of energy efficient investments.*

(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)?

- *Yes, there is. Investments into Energy Efficiency have special features, because benefits will return in a long-term. This may constitutes "uncertainty" that can block further investments. One of the solutions could be done in the context of Public Procurement. The General contractor should issue a guarantee scheme to the householder declaring the expected energy performance of the building.*
- *A harmonised EU certification scheme to certify energy performance of buildings*
- *Creation of a standard method to assess additional cost related to energy efficiency*

(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?

As mentioned under point 2.b, energy efficiency investments are different to classic investments. They are slower in terms of return, often considered as uncertain investment etc. Therefore, investors often don't know how to deal with these projects.

Actions proposed:

- *Dissemination of best practices can help to change this behaviour.*
- *Member States to implement capacity-building programmes to support commercial banks.*

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

- *Austrian government spend 100 million Euro /year for support of thermal improvements (70 million for housing, 30 million for industrial and office*
- *In the UK, the "Green Deal" is a new financial mechanism which will be introduced in October 2012. Under the scheme home owners will be entitled to seek loans which will be used to improve the energy performance of houses (through better insulation, air tightness, PV panels, etc.) – loans will be repaid over a long period as part of monthly energy bills. The service will be offered by a number of new companies (22 so far) formed and registered with government to offer Green Deal*

solutions and then collect the loan payments (known as Green Deal providers. Around 6 energy companies and a number of major retailers and contractors are currently involved in the initiative). The government is offering £200 million as an incentive for the take up of the project and it is expected to have a huge impact on the refurbishment and renewable energy sectors in the UK.

(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? If so, what should these measures entail?

- *No more regulations needed*
- *Promote national and regional laws enabling demolishing and rebuilding particularly in those cases when buildings are in poor condition and/or when a new urban layout is needed.*

BIBM believes that the following regulatory actions are required:

- *Facilitate effective use of existing financial instruments by creating a simpler, **stronger** regulatory framework, offer grants, direct subsidies, fiscal measures (Tax allowances) and **VAT reduction** (no VAT on the energy efficiency measures)*
- *Invest in capacity building*
- *Encourage use of public procurement policy to promote energy efficiency, in particular by promoting the use of whole life cycle costing including maintenance and energy costs.*
- *Implement tax benefits for energy efficiency*
- *At the same time, overlapping or contradictory regulatory initiatives should be avoided. The Energy Performance of Buildings Directive (EPBD) and the Construction Products Regulation (CPR) are the key pieces of legislation for the construction sector.*

(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?

Actions for better funding:

- *Member States to make full use of available structural funds*
- *Member States to revise operational programmes and request permission to reallocate unused money to energy efficiency programmes.*
- *Use of structural funds as a means to achieve societal policy objectives, e.g. investment in the construction sector as a means to provide growth and jobs.*

Actions for more efficient implementation:

- *Adapt best practice models and innovative investment schemes*
- *Determine an evaluation methodology going beyond CO_2 emission reduction,*

e.g. energy saving costs.

- *Invest into education. There is a need for an educated workforce. Educate unemployed construction workers to become competent in energy efficient construction*

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

Awareness-raising of the rebuilding option, as an energy efficient solution. Compared to renovation, rebuilding can answer several challenges such as energy efficiency, internal comfort, high standard of living, fire safety or social integration.

During the last decade, the construction sector has noticeably progressed, especially due to the introduction of new techniques of industrialised construction. Thanks to these innovations ***rebuilding*** *has become* ***a real alternative*** *when considering deep renovations, instead of traditional refurbishment. Member States should ensure a level playing field when the relevant public authority chooses to build a new building in place of an existing one with poor energy performance.*

Rebuilding, similar to deep renovation, improves the energy performance of buildings and in case of buildings in poor condition, rebuilding can be the most cost effective way when taking into consideration the whole life-cycle cost of the building.