



European Federation of Local Energy Companies
Confédération Européenne des Entreprises Locales d'Énergie

CEDEC response to European Commission Public consultation on Financial support for energy efficiency in buildings

Brussels, 16 May 2012

CEDEC defends, at European level, the interests of local and regional energy companies.

CEDEC represents 2.000 companies with a total turnover of about 100 billion Euros, and more than 250.000 employees. Together, they serve 75 million electricity and gas customers (connections).

These predominantly medium-sized local and regional energy companies have developed activities as electricity and heat generators, electricity and gas distribution grid operators and suppliers.

5.2. Consultation questions

On the basis of the obstacles referred to in the previous section, the stakeholders are requested to give replies to the following questions:

1. Dealing with market failures

a. Are the obstacles mentioned here the most important ones? If not, what obstacles are missing and why are they important?

- Obstacle = diversity of information

In the underlying consultation, lack of information is cited as a reason for market failure. However, in addition to a lack of information on occasions, one particular obstacle that needs to be mentioned is the large quantity of information, the evaluation of which represents what is initially a major hurdle in the process of applying for support funding. Evaluating the wealth of information that is available about the respective support

programmes at local, regional, national as well as EU level is time-consuming, thus hindering energy-saving renovation measures from the very outset. Energy supply companies can take on a pilot function in this regard, though this is possible only to a certain extent. Harmonisation and consolidation of the large number of programmes is required in order to realise efficiency plans more quickly.

- Obstacle = long, bureaucratic application periods

Applying for the individual programmes is associated with a very high level of bureaucracy. In practice, searching, lodging the application for support and receiving approval takes several months, during which the applicant does not have any planning security and often has to pre-finance the measure, with the result that support programmes frequently appear less attractive on account of the time delay alone. The aim should therefore be to ensure shorter processing times so as to give the party implementing the measures a degree of security with regard to planning and funding.

Bureaucratic requirements are on the increase, from local level to EU level. In practice, applying for EU support funding is, when weighing up the effort and expense required against the benefits obtained, only worthwhile for major construction projects.

- Obstacle = restrictive requirements and conditions of support programmes

The requirements and conditions of the support programmes are often so restrictive that private households and businesses frequently decide against support. This is due to financial considerations. The support does not offset the higher investment costs that arise on account of the requirements and conditions of the respective support programme. This means there is no incentive for the groups of persons targeted to carry out renovation work at the level required. In this way, the objectives of the support programmes are often missed.

The aim should be to shorten the payback periods so as to enhance the attractiveness of the programmes and thus also boost the economic efficiency of the measures.

- Other obstacles:

- The investment would therefore have to be lower with the same savings. This means a reduction in costs that can be further improved on for energy-saving measures; abatement costs (= cost savings in the case of not implementing a measure should be reduced to a

greater extent). Not much attention is paid to this in the buildings sector.

- Investments are often directed towards what is not necessarily the most effective measure, meaning that greater savings could be attained with the same use of resources in many cases.
- Short-term returns and, therefore, short-term payback periods are preferred in a number of cases instead of structural preservation or even long-term investments, e.g. in the case of supranational/international investors.
- Energy-saving requirements for buildings are far removed from actual consumption – tendency towards increasingly fewer buildings meeting the requirements demanded of them in practical operation.
- Savings potential is estimated in an over-ambitious way (technical and political reasons) and then not achieved, which increases the risk for the investors unnecessarily.

b. What market failure cases should be tackled with the highest degree of urgency? What would be the best level (EU, national/regional/local level) to respond to such cases of market failure?

- Investor-user dilemma in the case of property rented out
- Support shortfalls in the case of owner-occupied properties.
- Improvements at national level through appropriate statutory provisions, e.g. in the areas of tenancy law and energy savings, as well as through national support programmes.
- The goal should be to enact uniform regulations nationwide, instead of standards specific to individual federal states.
- Also see replies to point a. above

c. What would be the best way to tackle these cases?

Examples: how would it be possible to initiate changes in behaviour at national level which are necessary for energy efficiency measures to be accepted more quickly by society? How would it be possible to further boost the development of an energy-related services market for households?

- Resolving the investor-user dilemma: tendency toward investment costs and proceeds from savings to be in the hands of one party, which could be improved by way of rents including service costs or contracting, for example.
- Support programmes set up with long-term investment security and an increase in the support quota.

What could be done to raise awareness for and promote energy efficiency in buildings?

- Consultations regarding energy efficiency for buildings are, at present, only subsidised in Germany or by the Federal Economics and Export Agency if the measure is also implemented. This means that the target group is confined from the outset to persons that have already been made aware and are seriously considering renovation measures. It can be presumed that this group would have carried out renovation measures anyway.

Consultations on initiatives should, rather, be supported in advance of detailed consultation concerning energy-saving measures for buildings. This can be done with a relatively low financial outlay. A broader group of people could be made aware of energy-saving renovation measures in this way.

- Information campaigns are already being carried out in the area of heating systems for buildings. Usage-based costings also exist, as well as explanatory information concerning conscious consumption behaviour. Improved representation of consumption and the associated costs in this regard is also being implemented on many sides – also without the use of applications or smart technology. The topic has been well accepted on account of the high energy costs, among other things, and has already led to changes in behaviour – up to and including under-heating for cost reasons.

How could the economy (construction sector, energy service companies, local banks, etc.) be given better support for the implementation of energy efficiency measures in buildings?

- Non-bureaucratic approach to support.

What would be the best way of tackling the problem of divided incentives?

- Staff of public utilities must have access to all support programmes in order to guarantee uniform competition. This is not the case in Germany, for example, since the support conditions of the “KfW development bank special fund for energy efficiency in SMEs” stipulate, for instance, that consultations through staff of municipal utility companies cannot be granted support funding on account of these not being conducted independently of marketing interests.
- = Investor-user dilemma? See above.

2. Improving access to financing possibilities

a. Are the present EU funding instruments for energy efficiency in buildings effective?

- The funding instruments do not primarily affect private property. Possible support projects are oriented towards the development of structurally weak regions. However, this narrow choice is, in principle, not helpful for wide-ranging renovation projects on account of the inherent conflicts of interests.

How could the acceptance of EU funding for energy efficiency measures (including support funding under the Cohesion Policy) be improved?

- In addition to use of the cohesion fund, simple use of the structural fund is also needed for energy efficiency measures, with bureaucracy kept to a minimum.

What role could centrally administered funding instruments play in this context in addition to tailor-made national or regional funding instruments (e.g. in conjunction with a contribution from resources coming from the cohesion policy)?

See above.

b. How could more private monies (from both institutional investors and owners of buildings) be mobilised for energy efficiency projects?

- The economic efficiency of many measures should be improved. Increasing any support would have a particular impact in this regard. Consolidation of the legal framework for minimising risks is also imperative.

What role would public funding have in this context (from both the EU and the Member States)?

- This could well be the crucial lever, either funding or direct subsidies. The subject of multiple support could possibly be examined in the case of different sponsors or funding agencies.

Is access to technical assistance (for project development) a problem, and how could it be provided in the most efficient manner at national, regional and local level?

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How could Member State and EU funding system be improved so as to best cover all market segments (residential buildings, commercial buildings, public buildings, etc.)?

- Further coordination of different funding and support systems might also make sense in addition to the points already mentioned before.

c. Is a guarantee system needed for investments in the efficiency of buildings?

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If so, what guarantee systems would be necessary for energy efficiency investments and how should these be designed?

Not applicable.

Are other support mechanisms needed (e.g. risk sharing, investment companies)?

- Expansion of contracting, financial safeguards for the contractor through deficiency guarantees

d. How could capacities, knowledge and risk perception relating to energy efficiency investments be improved at all levels for both financial institutions and private investors, as well as administrations?

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e. Are there examples of good practices at national and regional level (with costs and benefit data) that could be applied more extensively?

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3. Strengthening the legal framework

a. Are further legal regulations needed at EU level beyond the Commission proposal for a new energy efficiency directive with regard to encouraging investments in the energy efficiency of buildings? If so, what should these measures comprise?

- No, since the requirement side is already outlined in a relatively clear manner, also via national law, and is being updated anyway. What is missing, in particular, is the appropriate long-term and effective support framework. A number of obstacles are country-specific issues that also have to be resolved at that level, e.g. tenancy law, heating cost regulations.

b. What specific measures could be taken at national level to implement and supplement the EU legal framework for energy efficiency as effectively as possible?

- Additional R&D endeavours for substantial cost reduction, apart from those already mentioned, as well as more technological progress and more rapid market readiness in relation to new technologies.

c. What strategic orientation aids and awareness enhancing measures do the different groups of players need?

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