



**CEOE comments to the consultation paper
“Financial support for energy efficiency in
buildings”**

(02/2012, European Commission)

Madrid, 26 April 2012

5.2. Consultation questions

Based on the clusters of barriers identified in the previous chapter, stakeholders are requested to provide answers on the following 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?*

The document does not mention designers. Current designs fulfil energy requirements strictly, but they do not have any incentive for improving the energy efficiency of their designs. Designers could be an important barrier not covered by the document.

An important barrier is that ESCOs don't appear in the Common Procurement Vocabulary (Commission regulation 213/2008)

The consideration of ESCOs Projects as debt in the Public Accounts is also an important barrier, when we are considering long-terms agreements.

Other barriers are, for example, the existence of regulated prices for final consumption, especially those that are below cost.

- 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?*

- Regulatory aspects are specially urgent:

European level: An energy efficiency code similar to Eurocodes for structures should be written:

Modification of the Common Procurement Vocabulary (CPV), regulated in the Commission regulation 213/2008. There is a reference in that regulation to the Provisional Central Product Classification (CPC Prov.) of the United Nations, but there must be a mistake. At the CPV appears:

71314200-4 Energy-management services

71314300-5 Energy-efficiency consultancy services because in the reference CPC is at present in Version 2.

And in the indicative correspondence between CPC prov. codes and CPV, also appears:

86721, 86725 71314200-4 Energy-management services

86721, 86725 71314300-5 Energy-efficiency consultancy services

But in the CPC Prov. those codes are different. We think that the mistake is in the reference to the CPC Prov, because CPC is now in version 2. It is very important to clarify this situation.

In the Public Sector, it defines that ESCO long terms projects, in which the investments are done by ESCOs and at the end the installations revert to public

administration, are not considered as debt to the public administration. (EUROSTAT clarification)

National/regional level: Harmonization of regulatory issues across national markets is essential. A Regulation about ESCOs is necessary; this regulation should establish the ESCOs rights and obligations, in order to provide them with confidence.

Local level: Energy efficiency solutions should not be penalized. For example: new isolation systems that require wider outside walls will never be implemented, because the building suitability rate is fixed and wider walls mean less effective surface for the building.

- Additionally, it is also very urgent to address the fact that energy prices do not reflect all the supply, environmental and social costs. This is a previous and necessary condition for energy efficiency measures to be efficient from the economic point of view. This problem must be solved at EU and national level, establishing an appropriate regulatory framework, including taxation, and monitoring its implementation.

The second failure to be addressed is the information failure to society. If society does not know that energy efficiency is needed for economical, environmental and security of supply reasons, they will never demand energy efficient solutions. This problem must be solved at national level, with a special emphasis in local level.

- 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?*

- Building developers should get involved in energy efficiency. They should use energy efficiency of buildings as a commercial tool, although they have not done it yet. Tax incentives for buildings which go beyond current Directive would be a good way to promote energy efficiency of buildings.
- One of the measures national authorities should use to support their energy efficiency plans is the development of agreements with ESCO Associations.
- As we said before, a previous and necessary condition for fully grasping the potential of energy efficiency measures is that final prices of all energy products do reflect costs.
- Building energy efficiency training should begin from the first educational levels. Thus, energy efficiency subjects have to be mandatory at technical schools and technical university degrees

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?*

- Funds must be allocated in encouraging stakeholders to use energy efficient solutions. The first step in this process is the dissemination of technical solutions already in the market.
- It would be also very useful if EUROSTAT provided with clarification about debt in Public ESCO long-term projects.
- It would be desirable to coordinate the different existing tools, even with one specific for buildings, in order that small users may easily get access to funding.

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.)?*

- In the case of non institutional investors, energy efficiency measures implemented in buildings should be an asset to be taken into account in order to obtain company taxes reductions (similar to R&D).
- Public funding should have different targets: the promotion of research and development in order to get economically feasible energy efficient solutions; to make funding easily available for private investors; to raise the awareness of society and to develop training campaigns aimed at the different agents of the building sector (society, real estate promoters, banks, technicians, etc).
- Financing schemes should be clearly identified, comprehensible and easy to apply for, in order to clearly match the financing schemes to the proper kind of building. EU financing schemes should be transferred to the national level in order to be easily accessed. Building sector is mostly formed by SMEs, which get overwhelmed by the administrative burdens they have to face to get access to European financing schemes.

- 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)?*

Regulatory stability is essential.

- 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?*

- First cases where energy efficiency projects are financed by private sector must be economically guaranteed by Public Administrations. After a reasonable period of time, financing entities will understand that this market is profitable and that risks can be easily managed.
- Usually this problem is due to a failure of communicating that investments in energy efficiency can be profitable. Specific campaigns from the administration, addressed to investors and financial institutions among others, can improve the risk perception of this kind of investments.

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

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?*

Technical codes regarding energy efficiency must be developed at European level.

- 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?*

The development of a specific regulation of ESCOs would be of great interest.

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