

CONSULTATION PAPER "FINANCIAL SUPPORT FOR ENERGY EFFICIENCY IN BUILDINGS"

In order to reach the objectives of the energy climate package, the improvement and deployment at large scale of energy efficiency measures are requested. Those measures need to be applied to all types of energy and they can be mandatory or economically profitable by themselves. Even in the first case, a costs-benefits analysis is necessary before any large scale development.

The building sector is rich of great energy efficiency potentials, but with a too long payback time. This last point constitutes one of the main barriers to develop those potentials.

Main points

- **Price signal is needed to provide the right incentives to consumers to reduce their consumption and to investors to invest in energy efficiency measures.**
- **Establishment of a merit order of energy efficiency measures**
- **Creation of European quality label is needed to certify the quality of works of the building industry.**

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?**

Among the market failures, we share:

- The **weakness of the price signal**, that is linked first to **low energy regulated tariffs or market prices**, which is clearly a disincentive to invest in energy efficiency measures. The rise of this signal is necessary to provide the right incentives to consumers to reduce their consumption and to investors to invest in energy efficiency measures. The negative effect of such higher price signal should also be kept in mind, in particular regarding industry competitiveness and fuel poverty. The latter requires the implementation of **specific mechanisms** to address properly and separately the case of vulnerable households.
- **Information failure**
To prevent behavioral effects from **cancelling the incentives of a stronger price** signal to reduce consumption and to invest in energy efficiency, information campaigns are

necessary. Member States and European institutions should **finance innovative and regular information campaigns** at large scale.

For households, information must focus on:

- **The rise of energy prices:** As all kinds of energy will become more expensive, energy efficiency is insurance for the future.
 - **The costs of works:** they are often high, heterogeneous and unknown from households. Publishing some costs ranges for typical measures can help the decision process. Incentives and tax allowances should also be promoted.
 - **The quality of works:** Fear of defects, no **guarantee of energy savings**, which type of professional can do it, can I do it myself ... the creation of quality label or marking could help.
 - **Availability, transparency and comparability of refurbishment offers:** This type of offers is scarce and often too technical today, due in part to the lack of general refurbishment companies for residential customers. Giving the description of typical works packages and measures can help.
 - **Set targets in final energy :** the energy paid by the customers and the one on which the customer can act
- **Other barriers:**
- **Lack of predictability and consistency of the regulatory frameworks.** Buildings construction and refurbishment activities require a long term regulatory stability to anticipate regulatory impacts in order to secure investments and paybacks.
 - **Simplify and secure the administrative and fiscal instruments to improve access to loans**
 - **Lack of qualification and certification of the building industry.** To build on the success of products labeling, we propose the creation of a European label in order to certify the quality of energy efficiency works in buildings (refurbishment as well as new buildings). See above

(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 first main barrier lies mainly in the lack of a stable, long term energy and environmental policies framework at national and European level, which have impacts both on energy prices and the profitability of energy efficiency measures. The second one is the need to guarantee quality and to promote transparency in the “energy efficiency industry”. Addressing this barrier can be done through the creation of a European label for energy efficiency works in the building works sector, in line with energy efficiency products labeling.

(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?

- Energy and environmental policies should be stable and give a visibility for the next 10 years.
- Creation of an European label to certify the building works sector (cf. successful labeling)
- Developing more attractive offers for households and protecting the vulnerable ones
- Recurring and large-scale national and European information campaigns
- Works obligations applied to the worst performing buildings owners
- Introduction of a tax on the worst performing ones to finance incentives for energy efficient construction or refurbishment.

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?

- Promote better information and visibility concerning resource allocation from EU-level financial tools for energy efficiency in buildings
- Promoting tax principles such as tax on worst performing buildings, adapted amortization of energy efficiency measures ...

(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.)?

- Esco today is not a self-financed business model: governmental incentives or easy access to supportive finance are still necessary for investors (households, commerce and industry).
- Subsidized loans (low or even zero interest), for example in case of a signed energy performance contract
- Public funding must comply with the merit order of the actions of energy efficiency: public resources need to focus on energy efficiency measures almost self profitable.

(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)?

- Creation of a dedicated fund financed by public funds (see KfW in Germany) through taxes (see above)

- Improvement of information and visibility into resources allocation
- Management and allocation of Community funds
- Public Private Partnership
- States guaranteed funds for dedicated loans.

(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?

- Information campaigns
- Label (see above)
- Publication of Guidelines on Good Practices (typical works packages, costs ratios ...)
- Guarantees of States : Encouraging certification of environmental performances of existing buildings

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

- Subsidized loans
- Energy Performance Contract
- Belgian example: Town Planning Code includes energy efficiency housing criteria for approval of rent / sale)
- British draft bill forbidding rent of worst performing commercial buildings

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 the building works sector
- Reinforcing pressure on improving the performance of existing 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?

- Express end user targets in final energy.

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

Communicate in view to improve end users knowledge and behavior in the field of EE
+ All the measures proposed above.