

Energy Cities' response to the  
European Commission's Public Consultation on  
**"Financial support for energy efficiency in buildings"**

*Energy Cities is the organisation registered in the Interest  
Representative Register under the ID number: 11514322965-05  
Address: 2 chemin de Palente, 25000 Besançon, France*

May 2012



# CONSULTATION PAPER

## "FINANCIAL SUPPORT FOR ENERGY EFFICIENCY IN BUILDINGS"

### Energy Cities' response on the consultation 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?*

**Administrative burden & information:** One of the barriers not mentioned in the Consultation Paper is the lack of clear information and assistance for actors at all levels to apply for the EU-level or national funding. The capacity of local actors as local authorities, housing associations or SMEs to deal with the administrative requirements (and language barriers for EU funding) is quite low. The solution could be to set up an "early stage assistance programme" for local actors helping them to get involved into the EU/national projects. In some countries, for instance in Germany, the easy access to information (subsidies, loans, etc.) provided by the banks (i/e. KfW) has proved its effectiveness.

**ESCOs:** In the framework of the EPC method the ESCOs do not propose insulation measures for buildings and/or replacement of windows. EPC therefore provides only a partial (minor) solution for the energy efficiency of buildings; it does not meet, the real need for a deep building refurbishment. There is a risk to "kill the energy saving potential" if this instrument is used without any combination with some others.

*(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 important is to create strong long-term policies that will ensure a **stable market environment** which is necessary to attract investors. That means a long term vision, objectives and milestones to improve the energy performance of buildings especially at national level to take appropriate decisions relative to the thermal regulation, pricing, etc. In this context the adoption of an ambitious energy efficiency directive is necessary.

In addition, non-technological actions (human capacities building) empowering local authorities & actors are essential for the real implementation of the EU's energy and climate policy at national / regional / local level. EU and national levels should provide support through legal and financial measures.

*(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?*

See our response to Question 2 (a) & 2 (b)

#### (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?*

The current EU-level financial tools for energy efficiency in buildings are not effective enough due to their **low uptake by the MS and actors at local and regional levels**. The existing EU-level financial tools could be exploited much better if a **strong support was given to innovative non-technological solutions** as these are indispensable for the successful uptake of sustainable technological solutions and available financial tools (incl. EU-level financial tools).

Indeed, non-technological actions empowering local authorities & actors are essential for Europe's success. They facilitate the implementation of the EU's energy and climate policy at local level, prepare the field for successful uptake of sustainable technological solutions and investments and favour the acceptance of those innovations by the general public. Non-technological actions also help overcoming market failures, financial and regulatory barriers as identified by the European Commission in the Consultation Paper "Financial support for energy efficiency in buildings". In the past years, **the Intelligent Energy Europe Programme (IEE)** supported such measures. For instance, without it, the Covenant of Mayors ([www.eumayors.eu](http://www.eumayors.eu)) gathering some 4,000 cities voluntarily committed to meet and exceed the EU 20% CO<sub>2</sub> reduction target would not have seen the light of day and the same goes for the innovative technical assistance programmes such as ELENA & Mobilising Local Energy Investments (MLEI). These new instruments are very promising and should be replicated at a large scale at national levels.

In the spirit of the IEE programme, **actions empowering local authorities & actors to drive Europe's energy transition are essential, especially those building and strengthening human capacities:**

- Visioning: setting up long-term energy & climate local strategies and targets, a vision based on integrated territorial approach, etc.
- Implementation of innovative technologies: new skills & qualified experts for the implementation of sustainable energy action plans, uptake of sustainable energy technologies in buildings & facilities, transport, local energy production & consumption, etc.
- Financial innovation: implementation of innovative financial instruments, setting up new business models appropriate for sustainable energy projects, etc.
- Social innovation: inventing and implementing new local governance, participatory processes, communication, ways of involving local actors & citizens, changing behaviour, etc.
- Networking: new ways of exchanging knowledge & innovative practices, taking multi-level actions, etc.

**The future role of centrally-managed financial instruments at EU level is to finance actions that would:**

- **Improve human capacities and skills of actors** at all levels of government, including financing sector, as mentioned above.
- **Help Member States and actors at regional / local level to network, benchmark their programmes and initiatives and replicate at national level existing successful programmes and financial tools:** e.g. ELENA, MLEI initiatives funded under the Intelligent Energy Europe programme, outstanding national / regional programmes funded through the Cohesion policy funds, national schemes, etc..

The energy refurbishment of buildings, especially housing, should be a priority in the framework of a potential **"Growth Pact"** at European level. It could show to people that Europe is made for them whilst boosting local jobs and activities, together with energy performance improvement.

### Examples worth to be replicated:

**French regions** used 82.5% of the European Regional Development Fund (ERDF) available for improving energy efficiency in existing housing in just 22 months! The € 320 million from the European grants generated investments of € 2.2 billion, creation of 15,000 local jobs and financial savings of €98 per month per household.

➔ How could be this success replicated in other MS?

**Vila Nova de Gaia (Portugal)**, with ELENA support, set up a qualified team within the municipality responsible for preparing the tendering procedures, contractual agreements and investment programme implementation (estimated in €73,4M) including projects increasing energy efficiency and use of RE in public buildings, public lighting and urban public transport.

➔ How could ELENA model be replicated at national level, triggering many more investments in municipalities?

**The Czech Republic:** The Ministry of Environment in cooperation with a network of local branches of 9 associated commercial banks has been implementing the Green Savings Programme operating with a budget of € 1 billion. Households, associations of dwelling unit owners, housing cooperatives, municipalities and businesses can obtain direct subsidies for energy refurbishment of buildings and integration of renewable energy technologies.

➔ Could EU-level financial tools facilitate exchange of knowledge and creation of such funds at national level?

### European ENGAGE Campaign:

The objective of the campaign (financed by the Intelligent Energy-Europe programme) is to mobilise municipal departments, stakeholders and citizens to jointly contribute to the Covenant of Mayors objectives at local level.



### Expected results:

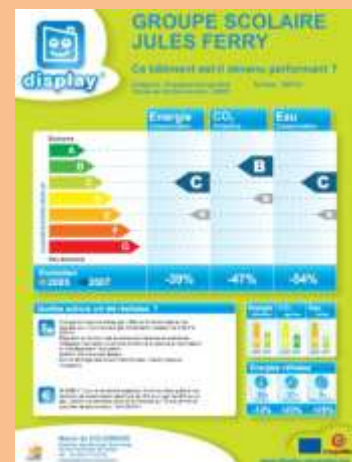
- Efficient, participative **communication campaign** implemented in all partner cities
- Publicly visible **posters displaying engagements of at least 3,300 stakeholders and citizens** to carry out climate friendly actions
- **On-line poster development tool**

More info (en): [www.citiesengage.eu](http://www.citiesengage.eu)

### European Display® Campaign:

Hundreds of cities have reduced energy consumption in their public and private buildings and raised their citizens' awareness by voluntarily displaying the energy performance of buildings via attractive and easily understandable posters and by using other communication tools developed within the campaign. Display is a cutting edge EU-wide toolkit that has influenced European Legislation (EPBD) and its implementation since 2003 and even goes beyond the basic requirements of the EPBD. Display provides the EU with the opportunity to introduce an already tested voluntary common European Union certification for the energy performance of non-residential buildings (as requested by the EPBD recast for 2012).

More info (en): [www.display-campaign.org](http://www.display-campaign.org)



*(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.)?*

The motivation and active involvement of local stakeholders and citizens is crucial for the achievement of the EU energy and climate targets. Local actors have their own visions and strategies. Every day they take decisions and make investments. Households invest in dwelling insulation; private companies invest in buildings, equipment or processes... It is of utmost importance to align these actions so that they contribute to local CO<sub>2</sub> reduction objectives. **Local authorities, regions and EU member states are in a strong and unique position to change behaviours and mobilise significantly their human and financial resources** through various **incentives, such as subsidies**. Even small co-funding from public sources can trigger significant private investments.

**Examples worth to be replicated:**

**The Climate Protection Fund – Hannover (DE):** Stadtwerke Hannover AG, the City Council, five municipalities around Hannover and partners from private enterprise and the community set up the **ProKlima climate protection fund**. Financed by the Stadtwerke Hannover AG, its customers and the five municipalities, the fund supports energy-efficient retrofitting of older buildings, innovative designs for new construction, popularisation of CO<sub>2</sub> saving and the use of renewable energy sources. The Fund with its **annual budget of about EUR 5 M** supports some 1,500 grant applications. It has gained enviable reputation for its innovative and high quality approach. ProKlima has been in the forefront of the implementation of new technology, in particular for energy efficiency in new construction and renovation activities (e.g. introducing “passive house” standards). In addition, quality standards for new building and renovation activity were introduced, as well as the certification of construction firms, architects and engineers. By the continuing the support and promotion policy of ProKlima (2500/3000 proposals to private house owners per year) a substantial contribution is made towards maintaining and creating new jobs.

**Green Light to Savings Programme - Czech Republic:** The Ministry of Environment in cooperation with a network of local branches of 9 associated commercial banks has been implementing the Green Savings Programme operating with a budget of € 1 billion. Households, associations of dwelling unit owners, housing cooperatives, municipalities and businesses can obtain direct subsidies for energy refurbishment of buildings and integration of renewable energy technologies.

*(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)?*

A creation of a guarantee fund(s) at European / national level that would reassure banks and encourage them to finance energy efficient projects in buildings could help to mobilise financing sector and trigger unprecedented public & private investments. For example, the EU could create such a guarantee fund or co-finance national funds (in cooperation with EU Member States, regions, local authorities). Such funds would provide a strong signal for national/regional/local banks that energy efficiency projects in buildings are feasible and the EU energy and climate policy has a great importance.

*(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?*

See our response to Question 2 (a):

**The future role of centrally-managed financial instruments at EU level is to finance actions that would:**

- **Improve human capacities and skills of actors** at all levels of government, including financing sector, including financing sector, as mentioned above.



- **Help Member States and actors at regional / local level to network, benchmark their programmes and initiatives and replicate at national level existing successful programmes and financial tools**

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

**Green Light to Savings Programme - Czech Republic:** A study carried out in the Czech Republic by two prominent economists provides a strong argument for Member States to put stronger emphasis on energy efficiency. The study highlights the very important benefit of public support for thermal insulation of buildings: *"It gets the economy moving. Specifically it has the potential to create thousands of jobs in construction and other industries, mostly supporting small, domestic companies working with domestic suppliers across the country".* The 'Panel' grant scheme helped to retain or create an average of 6,553 jobs annually in the Czech Republic. In total in its first nine years, the 'Panel' scheme retained or created 58 980 annual job opportunities... At the same time it mobilised nearly €1,92 bn in private investments. Between April 2009 and July 2010 after the launch of the 'Green light to savings' grant program, the increased support for thermal insulation generated another 19, 059 job opportunities. Another significant benefit of these schemes is that job creation and retention are regionally-dispersed. In contrast to linear structures or large projects executed at a specific site, 'small-scale construction' is one of the basic components of local economies."<sup>1</sup>

**Inspirational financing schemes: Food for thought for Covenant Signatories. Covenant of Mayors thematic leaflet:** [http://www.eumayors.eu/IMG/pdf/EN\\_thematic\\_leaflet\\_3\\_web-2.pdf](http://www.eumayors.eu/IMG/pdf/EN_thematic_leaflet_3_web-2.pdf)

### **(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?*

It is clear to Energy Cities that the new Energy Efficiency Directive (EED) proposal does not meet the ambitions set out in the Europe 2020 Strategy. The European Commission's failure to propose nationally binding targets for energy efficiency despite the well-known fact that the EU is not on track to reach its 20% reduction objective by 2020, is a clear evidence of this (see Energy Cities' opinion paper on the EDD<sup>2</sup>). Today it seems that even the binding measures proposed in the framework of the EDD proposal will be weakened or disappear.

In general, Energy Cities believes there is no need for further EU-level regulations. First, the already existing regulations should be implemented in all MS. Moreover, a weakness of EU regulations is that the period between the preparation and implementation of regulations/directives "on the ground" takes about 10 years and to see positive effects most probably 15 years!

*(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?*

First of all, there is a need for MS to accept and comply with EU regulations. Often, MS see directives as a burden not as a useful policy measure. There is a lack of political will to implement EU regulations at MS level, with as consequences lax regulation and no real supportive policy for successful implementation. Instead of harmonised transposition, each MS is developing its own regulation (labels, accreditation schemes for materials and equipment) which results in a huge waste of resources - as nearly the same work is done 27 times. At the end the result is different in each MS and EU-wide acting players and companies are confronted with many different regulations, spending millions of Euros for getting into the market (finally, some well performing technologies cannot even enter the markets). The EPBD is a good example how MS can counteract the EU policies. The Eco design directive can be seen as a positive example until the moment when the A+, A++ labels have been

---

<sup>1</sup> Home is where the heat is: thermal insulation programmes in buildings in the Czech Republic and its positive impact on job creation. Bankwatch, Heinrich-Boell Foundation, Velka Vyzva & Hnutí Duha, November 2011: <http://bankwatch.org/publications/home-is-where-heat-is>

<sup>2</sup> [http://www.energy-cities.eu/IMG/pdf/EED\\_Energy-Cities\\_Opinion\\_final\\_28-10-2011.pdf](http://www.energy-cities.eu/IMG/pdf/EED_Energy-Cities_Opinion_final_28-10-2011.pdf)

introduced. Briefly, MS have to seriously commit to the EU legislation, set up strong harmonised policies and provide respective means/resources for its implementation, monitoring and evaluation.

Here again, **the future role of centrally-managed financial instruments at EU level is to finance actions that would:**

- **Improve human capacities and skills of actors** at all levels of government to deal with EU policies and increase their awareness of their benefits.
- **Help Member States and actors at regional / local level** to network, benchmark the transposition of directives and regulations at national level and replicate at national level existing successful policies.

Bottom-up grassroots movements such as the **Covenant of Mayors** gathering some 4,000 cities and 100 regions voluntarily committed to meet and exceed the EU 20% CO<sub>2</sub> reduction target are an **essential leverage for the transposition of EU energy policies** at national level. Less than 2 months after the adoption of the Energy & Climate Package by the European Union's Heads of State and Government on 17th December 2008, close to 400 mayors from the largest European cities met at the European Parliament to sign the Covenant of Mayors. The point was to tell the European Union and Member States: "You legally committed to reducing CO<sub>2</sub> emissions by 20% by 2020 as a result of a 20% increase in energy efficiency and an energy mix with 20% of renewable energy sources. Not only do we agree with such a decision but we also commit to reaching and exceeding these objectives in our territories on a voluntary basis". The purpose of this meeting in the Parliament packed with enthusiastic people and in the presence of the Presidents of the European Commission, the Parliament, the Committee of the Regions and the European Investment Bank was not to contest a European decision, as is often the case, but to approve it and to commit to the same objectives at local and regional levels by engaging public, private and associate players as well as a maximum of citizens. Even more interesting is the fact that 1,200 signatories have already submitted their Sustainable Energy Action Plan in line with their commitment. These plans represent thousands of practical actions in the housing, transport and urban development sectors as well as tens of thousands of local players working with local authorities towards achieving these objectives and tens of billions of euros worth of investment and the creation of subsequent jobs.

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

The **Covenant of Mayors** is a unique opportunity to create an umbrella which brings together different energy and climate policies and actors at all levels of government in order to reach and go beyond 3x20% objectives. The European construction is running out of steam and there is a lack of motivation. A crisis of confidence as regards the institutions is taking hold of citizens who are expecting a new, more democratic page with a clear focus on both local and global concerns. Energy and climate issues, integrated in an original, multilevel system, can contribute to this renewal.

National Covenant signatory clubs are being created. Some have launched *Local energy alliances* uniting industrials, professionals, trade unions, NGOs as well as trade associations, local authority associations and competitiveness clusters. Along with networks of cities they shall advocate for a favourable policy environment to implement the Covenant of Mayors both at national and European levels.

The EU should leverage on the enthusiasm of cities, regions and stakeholders involved in the Covenant of Mayors and voluntarily committed to the EU energy and climate policies.



[www.energy-cities.eu](http://www.energy-cities.eu)

*The European Association of local authorities inventing their energy future.  
The Association created in 1990 represents more than 1,000 towns and cities in 30 countries.*

*Energy Cities leads the Covenant of Mayors' Office ([www.eumayors.eu](http://www.eumayors.eu)).*

*Other related Energy Cities' position paper and documents:*

- *Energy Cities' Position Paper on the European Commission's legislative proposals for the EU Cohesion Policy 2014-2020, April 2012*  
[http://www.energy-cities.eu/IMG/pdf/Cohesion\\_policy\\_legislation\\_position\\_paper\\_ENC\\_final\\_10\\_04\\_2012.pdf](http://www.energy-cities.eu/IMG/pdf/Cohesion_policy_legislation_position_paper_ENC_final_10_04_2012.pdf)
- *Energy Cities' press release "Intelligent Energy Europe" must be maintained within the Horizon 2020 programme!, 28 March 2012*  
[http://www.energy-cities.eu/IMG/pdf/120328\\_Press-release\\_IEE\\_in\\_Horizon\\_2020\\_en.pdf](http://www.energy-cities.eu/IMG/pdf/120328_Press-release_IEE_in_Horizon_2020_en.pdf)
- *Energy Cities' Position Paper on the European Commission's proposal for the Multi-annual Financial Framework 2014-2020 - August 2011*  
[http://www.energy-cities.eu/IMG/pdf/FUTURE\\_EU\\_BUDGET\\_Energy\\_Cities\\_FINAL-2.pdf](http://www.energy-cities.eu/IMG/pdf/FUTURE_EU_BUDGET_Energy_Cities_FINAL-2.pdf)
- *Energy Cities' press release "Intelligent Energy-Europe Programme must be maintained", 22 July 2011*  
[http://www.energy-cities.eu/IMG/pdf/2011-07-22\\_IEE\\_must\\_be\\_maintained\\_en.pdf](http://www.energy-cities.eu/IMG/pdf/2011-07-22_IEE_must_be_maintained_en.pdf)
- *Energy Cities' position paper on the Conclusions of the 5<sup>th</sup> Report on Economic and Social Cohesion, 31 January 2011*  
[http://www.energy-cities.eu/IMG/pdf/5h\\_Report\\_on\\_Economic\\_and\\_Social\\_Cohesion\\_consultation\\_ENC\\_final\\_31January2011.pdf](http://www.energy-cities.eu/IMG/pdf/5h_Report_on_Economic_and_Social_Cohesion_consultation_ENC_final_31January2011.pdf)
- *Low-energy cities with a high quality of life for all*  
<http://fr.calameo.com/books/0001260423b56a6f28003>

**Contact:**

Jana Cicmanova, Tel: +33 3 81 65 37 92, E-mail: [www.energy-cities.eu/jana](mailto:jana@energy-cities.eu)

Photos credit: Shutterstock, Wikimedia Commons