

Eneco answers to Consultation “Financial Support for Energy Efficiency in Buildings”

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?

Some important barriers are mentioned in the document, but one is missing. An important barrier for the EU and the reason why the EU is not on track to realize its' energy efficiency target is the current non-binding energy efficiency target. A binding European energy efficiency target and corresponding targets for national governments is lacking. Obligations for (annual) energy efficiency targets are necessary to reach the overall target of 20%, but these obligations should be put on the party that actually influences the energy consumption: the end-user.

(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?

Market failures that would be most urgent to address:

- 1. Market prices of energy should (but currently do not) reflect all environmental and social costs such as pollution, CO₂ emission, scarcity of natural resources and geopolitical dependence.*
- 2. Non-binding energy efficiency targets for national governments provide no incentives for energy efficiency measures and targets.*
- 3. Energy costs are low, so there is no concern / incentive for consumers to save energy.*
- 4. Split-interest or principle-agent barrier*

(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?

Possible solutions for failures mentioned in a) and b):

1. Market prices of energy should (but currently do not) reflect all environmental and social costs

This failure should be addressed at the EU level by reinforcing the ETS-system. Reinforcing could best be done by setting-aside the vast amount of surplus carbon credits that are currently in the system.

2. Non-binding energy efficiency targets for national governments

Obligations for (annual) energy efficiency targets are necessary to reach the overall European target of 20%, but these obligations should be put on the party that actually influences the energy consumption: the end-user. At first this issue should be addressed at the EU level, by setting a binding target for 2020 and translate that target into corresponding targets at a national level. The same has been done for the 2020 targets for carbon reduction and renewables.

3. Energy costs are low, so there is no concern / incentive for consumers to save energy.

The solution mentioned in 1 (energy prizes will reflect all environmental and social costs) will also have an effect on this failure.

4. Split-interest or principle-agent barrier

Building owners should be allowed to integrate the energy costs saved by energy efficiency measure in the height of the rent of the end-user of that energy. The owner should prove that energy costs will be reduced as a result of energy efficiency measures.

(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?

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(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.)?

Energy companies will play a more important role in facilitating the energy efficiency demand by consumers, because of the shifting role of energy companies from traditional energy suppliers to facilitators of energy efficiency solutions (ESCOs) .

(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 a need for guarantee systems. The focus of funding of building efficiency investments should be on private investors (public investments only if necessary). This private funding and financing by ESCOs should be covered by state guarantees.

(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?

1. By introducing and implementing clear and transparent energy performance indicators for all buildings.

2. Investments risks and risks concerning debtors could be covered by state guarantees. private funding and financing by ESCOs should be covered by state guarantees.

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

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(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?

Policies to stimulate energy efficiency should not only focus on the building itself, but also on the behavior of consumers and local energy solutions (for instance district heating and local renewable energy solutions)

Furthermore, the energy efficiency obligation (1,5% a year on final consumption in the current EED proposal) should be put on the party that actually influences the energy consumption- the end user- and not on energy suppliers.

(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?

An important measure at national level is an obligation for an energy label on all buildings (so not only new buildings). In the calculation of the label and the relating energy efficiency coefficient, local measures should be taken into account, besides the measures taken in the building itself.

Another measure is that local (building related) taxes should be interconnected with the energy efficiency performance of the building.

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

On a national level, there is a specific need for the development of long term policy frameworks by national governments that create a stable investment climate not only for energy efficiency, but also for other crucial investments in carbon reduction and renewable energy.