



PUBLIC CONSULTATION

"FINANCIAL SUPPORT FOR ENERGY EFFICIENCY IN BUILDINGS"

CONSULTATION REPORT

1. INTRODUCTION

Energy efficiency is at the heart of the European Union's Europe 2020 Strategy for smart, sustainable and inclusive growth and of the transition to a resource efficient economy. However, calculations show that the EU is not on track to realise this goal. Although the latest 'business-as-usual' scenario shows a break in the trend towards ever-increasing energy demand, the reduction in energy consumption is estimated to be only about 9% in 2020 in primary energy use.

Buildings are central to the EU's energy efficiency policy, as nearly 40% of final energy consumption (and 36% of greenhouse gas emissions) is in houses, offices, shops and other buildings. Moreover, buildings provide the second largest untapped, cost-effective potential for energy savings, estimated to be 65 million tonnes of oil equivalent (Mtoe). This corresponds to a cumulated investment need of approximately 587 billion € for the period 2011-2020, i.e. around 60 billion € per year to realise this savings potential.

Despite the proven cost-effective opportunities for reducing energy consumption in buildings, and the positive effects on employment and revenues, the potential for energy efficiency in the sector remains largely untapped.

Given the importance of improving the financial support for energy efficiency measures in buildings in view of reaching the 2020 energy savings target, the Commission launched a public consultation in February 2012 to obtain the views of all relevant stakeholders in this area. The consultation questions focused on three key areas:

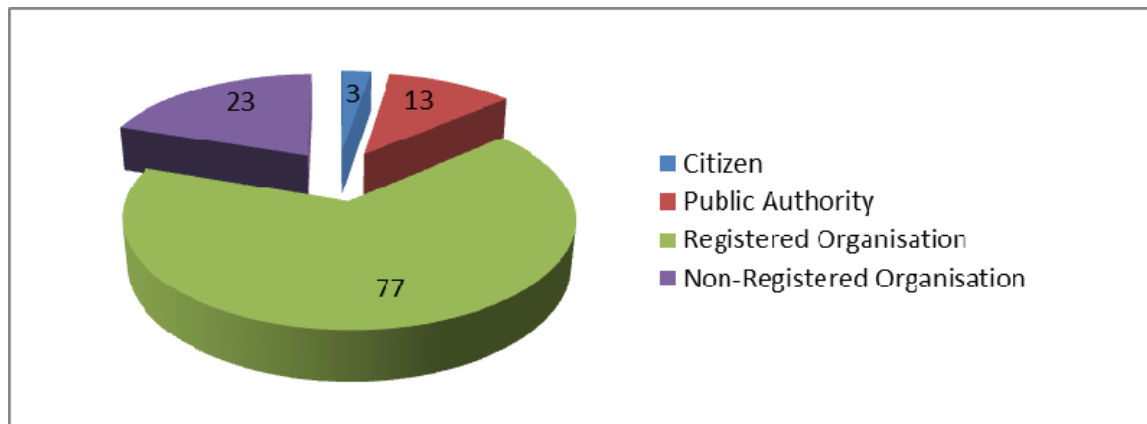
- Addressing market failures;
- Improving access to financing;
- Strengthening the regulatory framework.

The consultation paper, including the full set of questions can be found at: http://ec.europa.eu/energy/efficiency/consultations/doc/2012_05_18_eeb/2012_eeb_consultation_paper.pdf. A summary of the consultation paper was made available in all official EU languages.

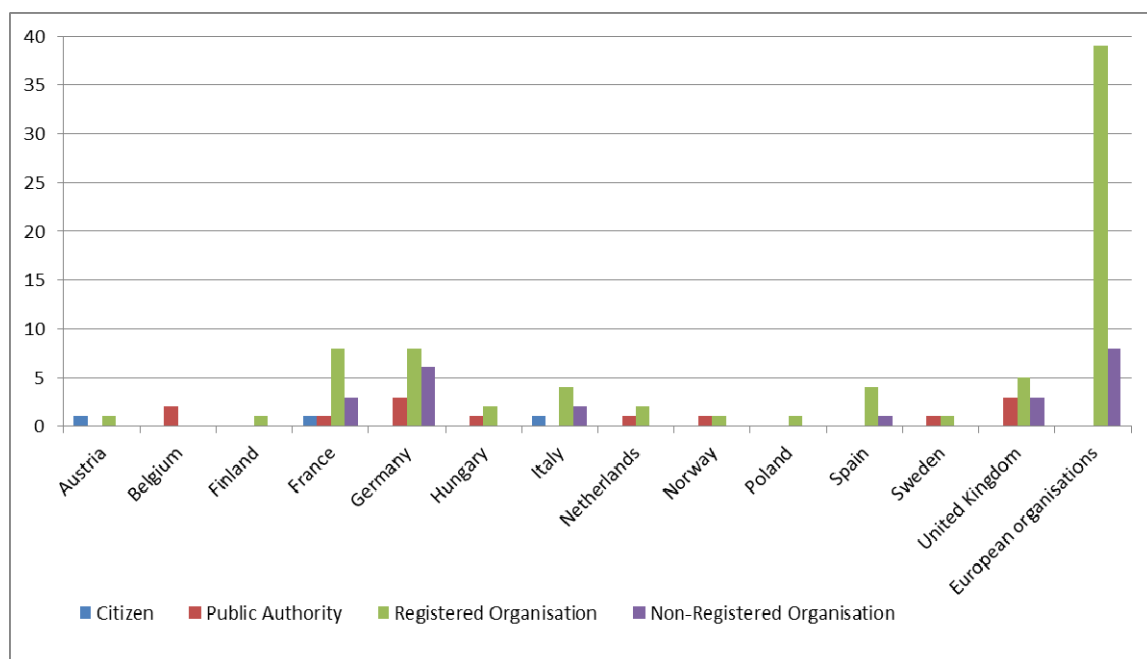
2. RESPONSES RECEIVED

The public consultation was open between 15/02/2012 and 18/05/2012. During this period the Commission received a total of 116 responses, all of which can be accessed at: http://ec.europa.eu/energy/efficiency/consultations/20120518_eeb_financial_support_en.htm.

The figure below gives an overview of the responses per category¹ of respondents:



As can be seen from the following figure, European organisations (mainly trade associations and NGOs) were responsible for around 40% of the responses (47). Among the remaining 69 responses, most (53) came from the five most populous EU Member States (i.e. Germany, France, United Kingdom, Italy and Spain). Of the central and eastern European Member States only Hungary (2) and Poland (1) were represented.



¹ A 'registered organisation' is an organisation which has registered itself, on a voluntary basis, in the Interest Representative Register, thereby also subscribing to its Code of Conduct. More information about the register can be found at: http://europa.eu/transparency-register/index_en.htm

3. CONSULTATION RESULTS

The consultation consisted of open questions, resulting in a broad range of responses and not allowing for a statistical analysis. This overview of the results can therefore not be exhaustive but aims at giving insight into the most frequent comments and suggestions.

3.1. Addressing market failures

Are the barriers identified in this [consultation] document the most important ones? If not, which barriers are missing and why are they important?

The majority of respondents considered the identified barriers as the most relevant ones, with financial hurdles seen as most important. Several responses stressed however that their relative importance will differ per Member States and per sector (e.g. residential, commercial, public).

As regards missing barriers, the following issues were raised several times:

- Public procurement rules and practices;
- The rules for state aid;
- The changes to the Basel and Solvency frameworks; and
- The inability of many public authorities to take on new debt, due to the current financial and economic crisis.

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 majority of the respondents stressed that financial barriers are the most urgent to address, particularly:

- High upfront investment costs and limited access to credit;
- Too long payback times and credit risks;
- Split incentives between owners and tenant and problems in multi-apartment buildings.

Regarding market failures, the lack of appropriate and trustworthy information about energy efficiency measures (for building owners, building professionals and the financial sector) was seen by many respondents as the most urgent barrier to address.

With respect to regulatory barriers, many responses focused on the lack of a long-term policy horizon (i.e. to 2050) as the most urgent barrier to address. Furthermore, the absence of binding targets for energy efficiency and poor enforcement of existing regulations were also mentioned several times.

Concerning the level at which these barriers should be addressed, a majority of respondents see a role for the EU in setting the right framework conditions (e.g. long-term outlook and targets, remove unhelpful rules, monitoring compliance) and facilitating implementation (e.g. sharing best practices between Member States, provide funding and financial instruments). Subsequently, the Member States (whether at national, regional or local level) should focus on developing an appropriate national framework for energy efficiency (e.g. roadmaps, financial

incentives) and its implementation (e.g. awareness raising, enforce legislation, renovate public buildings).

How could these failures be best addressed?

Stakeholders gave a wide range of suggestions for how to address the various failures, largely depending on their specific viewpoints. Nevertheless, almost all respondents stressed the need for a stable, long-term policy framework at EU level, supplemented by national strategies/roadmaps to provide certainty to investors.

Several respondents warned against a too limited focus on individual buildings and urged a more holistic approach focused on a neighbourhood/city approach (also taking into account mobility and urban development/demography issues) to avoid suboptimal solutions, both from a financial and a technical perspective.

Regarding split incentives, many respondents made reference to the Green Deal being established in the UK as a good model that could be rolled out more widely. With respect to rented properties, the ability of property owners to recuperate (part of) the investments through rent increases (possibly offset by lower energy costs) was also mentioned as a way of incentivising improvements.

Finally, many stakeholders stressed the need for more and more reliable information to private homeowners and the building sector (in particular SMEs) about existing efficiency measures and financial support instruments. In this context, the installation of smart meters was also mentioned as key to a better understanding of the energy consumption by tenants and owners.

3.2. Improving access to financing

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?

Most stakeholders were positive about the available financial tools at EU level, including the ERDF, ELENA, JESSICA, MLEI, EEF-F and the IEE programme, although little data about their effectiveness was provided. Nevertheless, many respondents decried the complexity and bureaucracy of the application procedures, and a lack of awareness about funding opportunities, which causes uptake problems especially at local level.

Technical assistance (e.g. ELENA, MLEI) is seen as very important for the further uptake of financial instruments and several respondents suggest replicating these tools at national level.

Many respondents argue for more flexibility in the use of cohesion funding, however without clearly indicating how this could be achieved. Some argue for greater bundling opportunities so that smaller and/or dispersed rural projects could obtain financial support.

A suggestion that was supported by several stakeholders is the use of EU-level funding to establish national or regional funds or financing schemes that provide loans to the owners or end-users of buildings for investments in energy efficiency, as is already happening in several Member States.

Many stakeholders also advocate the creation of more 'one-stop-shop' services at national/regional/local level that provides easier access to all public funds dedicated to energy efficiency in buildings, providing better information and visibility of available funding (especially towards home-owners) and monitoring project results.

How could more private financing (both from institutional investors as well as building owners) for energy efficiency projects be mobilised?

As stated above, the establishment of a strong, long-term and stable investment and regulatory framework is seen by many respondents as key to unlocking private financing for energy efficiency. This should be supported by renovation roadmaps and incentive schemes that do not change too often.

Many stakeholders advocate the use of public funds to attract private investments, for example by blending loans with grants, providing technical assistance, facilitating low-interest loans, etc. Also the use of taxation (e.g. reduced property taxes or stamp duties for more energy efficient buildings) was often mentioned as a way of stimulating investments, especially by private homeowners.

Regarding the financial sector and institutional investors, several respondents see a need for providing them with more objective and reliable performance information (e.g. payback periods, Return on Investment, default rates) in relation to energy efficiency projects, technologies and services.

Again, the bundling of energy efficiency projects was raised by several respondents as a means of creating larger investment opportunities, lowering transaction costs and mutualising risk.

Finally, it was suggested to link renovation events more closely to those moments in the building life-cycle where these can be implemented most cost-effectively (e.g. when other improvements are being planned or when a building changes ownership).

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 majority of stakeholders consider the establishment of guarantee systems/funds as fundamental for attracting private capital and stimulating the ESCO/EPC market. In this context, EU-level funding could be used as a 'first loss' guarantee to de-risk the investments.

Also public private partnerships, insurance systems and national loan guarantee funds were mentioned several times as a way of assuring energy efficiency investments.

The UK Green Deal was mentioned several times as a good example of a guarantee system.

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?

Stakeholders overwhelmingly support the need for more accurate and standardised information on the energy and economic performance of improvement measures and energy efficiency projects (e.g. through a standard evaluation tool). Moreover, wider sharing of successful projects and practices was also proposed.

Furthermore, education and training of all relevant actors were mentioned as a key element for improving capacity and knowledge regarding energy efficiency investments.

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

Stakeholders mentioned a wide range of national financial support schemes, however with very little data about their costs and benefits. The German KfW programmes, the UK Green Deal and Kredex in Estonia were most often cited.

3.3. Strengthening the regulatory framework

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?

Many stakeholders consider that there is no need for further regulation, although many stressed the need for a long-term vision and commitment to energy efficiency, with some arguing for binding targets.

Moreover, the need for a better coordination between different policy areas (e.g. energy efficiency and regional policy) was raised several times. Other suggestions included allowing the use of the VAT regime to promote energy efficiency measures and services, changing the public procurement and state aid rules to promote energy efficiency, adopting a single EU-wide calculation and certification scheme for energy efficiency in buildings, and mandating the use of ETS revenues for efficiency improvements.

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?

Many respondents stress the need for a full implementation and enforcement of European energy efficiency legislation, in particular the EED and the EPBD, by the Member States. Moreover, Member States should elaborate renovation roadmaps including an analysis of how to address the existing market failures and barriers (especially regarding energy performance contracting), and how to make best use of financial instruments and EU funding.

Moreover, Member States should make better use of their VAT and broader taxation regime to support energy efficiency, for example by tying property taxes to the energy performance of a building.

Stakeholders also identified education and training as an important area for further improvement

Finally, the inclusion of information about possible energy efficient measures on energy bills and the roll-out of smart grids and meters were seen as important measures to increase the awareness of final consumers and thus contribute to energy savings.

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

Regarding awareness-raising, many respondents advocate the establishment, at national or regional level, of 'one-stop-shops' for delivering independent, tailor-made advice to home owners, covering both technical and financial aspects of energy efficiency. More information should also be provided to SMEs in this sector.

Several stakeholders also identified a need for a more robust certification framework for energy service providers, such as ESCOs and auditors, to increase the quality of their services and improve trust in the concept.

Some responses also focused on the need for more guidance for policymakers (also a local level) on how to make better use of ERDF funding, including information about best practices in other Member States.

4. CONCLUSIONS AND NEXT STEPS

The Commission would like to thank all those that have responded to this public consultation for their time and effort. The responses covered a wide range of issues and suggestions, which will be taken into account as much as possible during further policy development.

The EPBD recast requires the Commission "to present an analysis on, in particular;

- (a) *the effectiveness, the appropriateness of the level, and the actual amount used, of structural funds and framework programmes that were used for increasing energy efficiency in buildings, especially in housing;*
- (b) *the effectiveness of the use of funds from the EIB and other public finance institutions;*
- (c) *the coordination of Union and national funding and other forms of support that can act as a leverage for stimulating investments in energy efficiency and the adequacy of such funds for achieving Union objectives."*

Based on this analysis, the responses to the public consultation, further discussions with stakeholders and outcomes of relevant studies, the Commission intends to adopt a Report by the end of 2012 outlining recommendations for how financial support for energy efficiency in buildings could be improved.