Renovate Europe Campaign
An initiative of EuroACE, the European Alliance of Companies for Energy Efficiency in Buildings
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Renovate Europe Campaign response to the Public Consultation on Financial Support for Energy Efficiency in Buildings

EUROPEAN COMMISSION – DG ENERGY
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Introduction
The Renovate Europe Campaign (REC) is an initiative of EuroACE, the European Alliance of Companies for Energy Efficiency in Buildings and its headline objective is to reduce the energy demand of Europe's building stock by 80% by 2050 as compared to 2005 levels. The REC has noted that one of the main obstacles to the uptake of its recommendations is the perceived lack of financing for investment in the deep energy renovation of buildings.

For this reason, participants in the REC decided to investigate how the EU Structural Funds could play a better role as a source of seed financing for energy efficiency projects with the expectation of overcoming the financial barrier to deep energy renovation of buildings in a more convincing manner. In this way, it is hoped that key actors such as property owners, private finance providers and public authorities will be more willing to take up the challenge of renovating the building stock as available public and private financing will flow from the stimulus that the EU Structural Funds can provide. In response, the REC organised a **Workshop in Brussels on the 22nd March 2012 on better understanding the challenges and opportunities that need to be grasped in the next funding period (2014-2020)**.

Given the relevance of the Workshop to the topics raised in the public consultation, the Renovate Europe partners agreed to submit these Recommendations, which constitute the main output from the event, as the Campaign's response to the Public Consultation on Financial Support for Energy Efficiency in Buildings.

Background
It has become evident that the current economic crisis and the extensive austerity measures that Member States are implementing across the EU has made it increasingly difficult to persuade them to commit seed money to kick-start energy efficiency renovation programmes for buildings in their territories. However, given that the Member States have committed to the goal of increasing energy efficiency by 20% by 2020 and given that that goal is unlikely to be achieved, **it is essential that new innovative ways of financing energy efficiency of existing buildings are found.**

Despite the current economic gloom, there is a fund of money that is already committed by the Member States in the context of the Multi-annual Financial Framework (MFF) and the European Commission has proposed that a minimum of €17bn be dedicated to energy efficiency and renewable energy sources in the period 2014-2020.

Member States (and the Managing Authorities in their regions) are still gaining experience of how to use EU Funds for energy efficiency in existing buildings and the Renovate Europe Workshop was an opportunity to build on those early experiences. In fact, 4% of the current ERDF has been dedicated to energy efficiency of buildings and, although not taken up by all EU Member States, it has been used to good effect in a number of countries including France and the United Kingdom. However, there has not yet been any real evaluation of the use to date of these Funds– something that must be undertaken as a matter of urgency.

This note draws some clear, key recommendations that the experts present identified as being important outputs from the debates that took place. It is intended that these outputs will be widely disseminated by the REC with the aim to ensure that at least €17bn of the Structural Funds are ear-marked for energy efficiency and renewable energy sources in the period 2014-2020.

Recommendations
Member States have started to use the available Structural Funds in the period 2007-2013 for energy efficient renovation of their building stock and are seeing benefits as their experience of these Funds grows. However, there remains a certain lack of awareness of the benefits of undertaking integrated programmes of renovation and there is insufficient and un-evaluated experience of how to use the funds within the operational programmes. The Renovate Europe Workshop did not dwell on these negative aspects, but identified some of the ways forward such as those listed here:

1 Member States should consider that the use of Structural Funds for improving energy efficiency in buildings is an investment and not an expenditure

1.1 When talking of the use of Structural Funds for energy efficiency in buildings, it is necessary to change the language used to better reflect the benefits that accrue and **to encourage a positive mind-set** in relation to energy efficient renovation of buildings. Member States and Managing Authorities should talk about public *investment* instead of public *spending*.

1.2 In several EU countries where public money has been used in schemes that encourage energy efficient renovation of buildings, it has been shown that a return on investment of 5 to 1 is generally observed when assessed against public investment rules. In the case of the KfW Scheme in Germany, these returns to the Federal Treasury were observed within just one year. This shows that investment in **energy efficiency of buildings is clearly a revenue-generating activity and not an expenditure that burdens Member States with increased debt.**

1.3 There is a **need to widely demonstrate the business case for the use of Structural Funds for energy efficient renovation of buildings** by drawing on the experiences to date of their successful use in selected countries in best practice projects. Doing so will be the best way to build confidence. One influential tool that could be used in order to build awareness around the **real potential of renovation is the preparation of renovation roadmaps** for each and every member state. These could be developed in parallel with proposals for Operational Programmes and could have indicative milestones for each decade until 2050 by which time all member states should have reduced the energy demand of their building stock by 80% as compared to 2012 levels of consumption.

1.4 In agreeing on the way that the Structural Funds are to be allocated in the period 2014 to 2020, **it is fundamental to maintain the proposed ear-marking of Funds aimed at "supporting the shift to a low-carbon economy in all sectors"**. Given the high CO2 abatement potential of energy efficiency in buildings, a significant amount of funding coming from these ear-marked funds should go to investment in energy efficiency of buildings. Without ear-marking, it will be much more difficult to mobilise local actors to create stable long-term programmes of renovation, something that is critical to success.

2 Member States should create conducive policy and regulatory frameworks to generate market confidence in energy efficiency of buildings

2.1 In order for energy efficiency investments in buildings to take off, there is a strong need to have a coherent, well designed regulatory framework in place. **In fact, unlocking the potential of savings that existing buildings represent should start with the preparation of a long-term renovation roadmap, the purpose of which is to bring actors together to assess the scale of change needed to move towards and energy friendly building stock.** Such an exercise would help in the development of a suitable regulatory framework that would address, among other issues, fiscal and financial barriers, or, for example, the difficulties faced by the joint ownership of multi-family apartment buildings in our member states, especially in Central and Eastern Europe. In country after country, it can be seen that a well thought out regulatory push has frequently been the main driver to building confidence in the energy efficiency market.

2.2 Ensuring that the instruments designed by the Commission for the use of the Structural Funds are operated as a **revolving mechanism with a long-term perspective** (say, 20 years or more) is crucial to building investor confidence.

3 Member States must use a portion of the Structural Funds to create awareness, to build capacity and to provide technical assistance

3.1 The lack of awareness of using Structural Funds for energy efficient renovation of buildings is still widespread in the Member States and among Managing Authorities. This lacuna must be addressed through **capacity building among the key staff in such authorities** and, indeed, among all actors involved in the preparation of Operational Programmes.

3.2 The **use of funds to deliver Technical Assistance** at all levels is necessary and highly profitable as demonstrated by the ELENA Facility which demonstrates that for every €1 it spends on technical assistance, €56 can, on average, be invested in projects.

3.3 Future **technical assistance could be targeted more upstream** at those preparing *"pre-proposals"* for funding as these persons often do not know of or understand the huge benefits that investment in the energy efficiency of buildings can bring. Such assistance brings rewards that are more intangible such as increased trust between the public sector and private investors as they see the levels of knowledge and expertise increases in the public authorities' staff.

4 Managing Authorities should adopt holistic approaches and promote integrated projects

4.1 Investment has been hampered by an overly sectoral approach to the use of Structural Funds. This can be overcome by adopting an integrated and more holistic approach to energy efficiency on a territorial level. It is not sufficient to simply treat individual buildings with the Structural Funds, there is a need to use the Funds to finance the upgrading of the environment in which the buildings are located too – the street lighting, the open squares and parks – in an integrated and fully planned series of actions to ensure that we create energy efficient quarters and neighbourhoods (including, where appropriate cogeneration or district heating).). This approach has been progressively demonstrated by the Covenant of Mayors Initiative (with more than 3,700 cities actively preparing their integrated strategies) and would be specifically supported in pioneering cities by the "Smart Cities and Communities" initiative.

5 Public Authorities should build market confidence and partnerships between public and private actors

5.1 New partnerships between public bodies and private actors that are supported by a clear regulatory framework will lead to **enhanced innovation and investment** in the sector. These innovations will not only be technological, but financial too as the public and private sectors engaged in new partnerships will share a long-term interest in success.

5.2 To drive this transformation, it is necessary to undertake, among other actions, the dissemination of information on the use of *Energy Performance Contracting* by public authorities in which the private partner *guarantees* the energy savings that will be made.

6 Seed funding should be used to support semi-public entities to encourage investments

6.1 Banks and private investors that will provide matching funding and loans to project promoters are increasingly interested in **long-term secure investments**. The fact that there is no better long-term investment than energy efficiency of buildings needs to be better communicated to them.

6.2 New models of semi-public entities are emerging which, if supported by seed funding from the Structural Funds, would significantly encourage private investment in those semi-public bodies,

creating a **new business approach appropriate in many EU Countries similar to the SEM[1] model in France** (EnergiePositif of the Ile de France Region).
A similar approach has been used for setting up the European Energy Efficiency Fund (EEE-F), combining the financing from the EU programme for recovery and capital from partnering Financial institutions.[2]

7 Combining grants and financial instruments is a successful and innovative approach that should be more widely adopted

7.1 There are successful, independently researched examples of **innovative approaches to funding energy efficiency of buildings** that should be used to inspire programmes in the next period of the Structural Funds such as the Irish *Home Energy Savings (HES) Scheme* or the German *KfW Scheme*.

7.2 There is no better sector than the buildings sector for combining the use of grants and subsidies with new financial instruments to leverage large private funding. The concept that drives this is to give grants or subsidies in addition to innovative financing for projects that **go beyond minimum requirements and that achieve the highest possible energy performance**. Indeed, some projects have demonstrated that capturing more than 70% of the initial energy consumption is possible with current technologies, provided that an adequate package of measures has been designed and that adequate financing is secured.

7.3 **Guarantee schemes are one example** that could be used for developing new financial instruments, particularly as guarantees could help to tackle the difficult issue of financing for jointly owned apartment buildings across the EU.

8 Investing Structural Funds in energy efficient renovation creates social cohesion and serves the general interest

8.1 The Structural Funds are designed to reinforce local and regional economies, reducing disparities and bringing greater social cohesion across the regions of the EU. Investment in the energy efficiency of buildings will **safeguard and create local jobs** in those economies as buildings cannot be de-localised and the manufacturing of necessary materials, equipment and systems can also be best undertaken at the regional or local level.

8.2 Investment in the energy efficiency of existing buildings brings much more than economic returns as demonstrated by the Jülich Research Centres analysis of the German KfW Scheme. Such investments bring social and environmental returns too. In particular, **new jobs, improved health and well-being that leads to higher productivity in the population**.

[1] SEM stands for *Sociéte d'Economie Mixte* (Mixed Economy Company) and is a form of semi-public company that is capitalised by a mix of private and public funds. It is currently a model known only in France, but that could be used in many other EU countries.
[2] www.eeef.eu

8.3 The engagement of the private sector can be the added value that is currently lacking in cases where the tenants or owners of a building are suffering from fuel (energy) poverty. In these cases the use of the Structural Funds to make the projects financially viable will also help Member States to avoid give grants to subsidise poor households for the payment of their energy bills and/or for the purchase of winter fuel.

Conclusions
Although there are challenges ahead, there are also many successful examples of financing instruments and partnership models on which we can build in the current and future funding periods. Increasing technical assistance programmes and demonstrating the benefits of investment in energy efficiency of buildings will reinforce the probability of higher investment in the next funding period.

A final clear message is that the European Institutions and Member States must take their leadership role in this issue more to heart. There are at least four key areas where such leadership would help:

> Ensure that beyond securing the proposed ear-marking, any division of the ear-marked funds for energy efficiency and renewable energy sources, is such that at least 50% of the funding is dedicated to energy efficient renovation of buildings, thus reflects its over-riding importance;
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> Simplification of the architecture of the Structural Funds and of access to their use for investments in Energy Efficiency of buildings through continued and reinforced technical assistance;
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> Better coordination and synergy between the various administrations of the Commission (DG Regio, DG Energy, EACI, EIB etc.) that are dealing with the issue of energy efficiency financing. Better dissemination of information on what is available and systematic evaluation of the current instruments (EEE-F, 4% ERDF reallocation opportunity, JESSICA, ELENA);
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> The adoption of an integrated approach with inputs of all actors in play such as social housing, covenant of mayors, Eurocities etc. to ensure an optimum use of resources throughout the life of the Structural Funds and financial instruments.

End of Recommendations

RENOVATE EUROPE

About the Renovate Europe Campaign:

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Renovate Europe Partners: