

Public consultation

Financial Support for Energy Efficiency in Buildings

Consultation period

From 15/02/2012 to 18/05/2012

Policy field(s)

Energy efficiency

Answer submitted by: [SHV Energy](#)

5.2. 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?

SHV Energy agrees with the market failures highlighted in the consultation document. By supplying LPG to energy users situated in off-grid areas and by being in direct contact with its customers, SHV Energy has gained experience in understanding the challenges faced by energy users in rural areas. SHV Energy is committed to helping its customers improve the energy efficiency of their homes, particularly through the installation of Micro-CHP units. SHV Energy is partnering with the CHP industry and with high efficiency boiler manufacturers to encourage the uptake of these technologies. Micro-CHP units can be up to 90% per cent more energy-efficient in production of electricity and heat than conventional boilers and are particularly suited for decentralised energy production in remote areas (the electricity produced in excess can be sent back to the grid). SHV Energy will therefore refer to Micro-CHP throughout this consultation response to highlight some of the challenges in the financing of energy efficiency of buildings.

As opposed to what is highlighted in the Commission's document, energy costs are particularly high in certain areas of Europe. Energy costs tend to be higher (as a proportion of household revenues) in rural areas than in cities, leading to fuel poverty issues. This is frequently due to poor efficiency in rural buildings, which tend to be older and lacking modern insulation. Despite high energy costs (and therefore incentives to renovate), the renovation rate remains low and the uptake of technologies like Micro-CHP negligible, despite its undisputed environmental and economic benefits. This is due to **high upfront costs** (£6,000 in the UK) and a long pay-back period of 7 to 10 years. Experience outside Europe (Japan) has proved that the cost and pay-back period of Micro-CHP can be significantly and quickly reduced as the market grows.

Information failure is also a major reason for this slow uptake. As opposed to renewable energies, whose benefits are easier to explain to customers (and which are vastly advertised), Micro-CHP and other energy efficient technologies such as heat pumps can appear difficult to use. With the help of trained installers, this information obstacle would be easily overcome. Much more efforts also need to be put into advertising and practice-sharing on energy efficiency.

Another reason for the slow uptake of energy efficiency in rural areas is the **predominance of single-occupation homes**, which prevents energy users from splitting renovation costs amongst multiple home-owners in large building blocks. The issue of split incentives identified by the Commission is not as prevalent in small villages, where a larger proportion of inhabitants are home-owners rather than tenants.

Micro-CHP is well-suited for single homes, mid-size residential and commercial buildings (e.g. a nursing home or a hotel). While energy savings are substantial, transaction costs can be disproportionately high compared to moderate returns. Authorisation procedures and connection to the grid should be streamlined across Europe to allow for these extra costs to come down.

(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?

A common theme for these failures could be seen as lack of consumers' awareness and engagement. Information sharing seems particularly important, together with the reduction of fixed costs for the installation of energy efficient technologies. Every level has a role to play in tackling these difficulties, especially in presenting energy efficiency upgrades as *investments* and not as *spending*.

The EU has a role in providing binding principles that Member States should follow as well as EU funds, while Member States' national incentives schemes have proved to be decisive in the take-off of certain technologies. The local level has a particular role in the dissemination of information and the training of installers/builders.

(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?

SHV Energy naturally understands the current constraints put on national budgets and the cautious approach taken by Member States in adopting Feed-in-Tariffs (FIT) for Micro-CHP. FITs need to be accompanied by a mobilisation of industry actors (in this case, boiler manufacturers should do their utmost to promote their products) and by information campaigns towards energy users who would benefit the most from such installations (in the case of Micro-CHP, those who need more heat, in Northern regions). If the information is targeting the wrong users or if the industry is not involved, public funds set aside for FITs will remain unused or will not deliver the expected energy efficiency gains.

Most importantly, frequent changes in the regulatory and financial frameworks need to be avoided. If Member States change their FIT regime every year, they will only reduce market certainty and send the wrong signals to both industry investors and energy users. The UK and Germany have recently introduced FITs for Micro-CHP: both governments should give the measure some time to 'sink in' before changing their support mechanism.

(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?

SHV Energy welcomes the funds set aside for energy efficiency as part of the next Multi-Annual Financial Framework. It also acknowledges the efforts put into the development of the Intelligent Energy Europe (IEE) programme every year. Unfortunately, criteria set up for energy efficiency projects under the IEE programme seem very hard to meet in case the fuel used is not a renewable fuel (such as LPG), even in the case of programmes which are not 'renewable energy-branded'. SHV Energy would favour pragmatism in this respect: if the priority is to collect the low-hanging fruits of energy efficiency, criteria should not be made overly restrictive. The uptake of renewable energies is naturally very important but should be undertaken separately.

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

SHV Energy has developed ESCO-type of activities in the UK and supports in principle the involvement of private companies in financing energy efficiency of buildings. However, private financing can only work if government incentives exist in the first place. The first step should therefore come from the public sector, which should subsidise the initial cost of energy efficiency upgrades or building renovations to make the overall investment appealing to private companies and consumers. The initial public spending is there to provide the right guarantees to the private sector.

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.)?

Rather than talking about all segments of the market, SHV Energy would like to talk about all sections of the EU *territory*. SHV Energy believes it would make sense, under the current revision of the Common Agricultural Policy, to make energy efficiency projects eligible for funding from the Rural Development Fund. This would naturally benefit farming communities and, more broadly, the agro-business sector. It may well, if conditions allow, be expanded to the rural community in general, whether or not involved in the agricultural sector. This would be a direct recognition of the greater energy efficiency challenges in rural areas. In this respect, SHV Energy would like to encourage better coordination and synergies between DG Energy, DG Regio and DG Agri.

(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)?

No response

(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?

No response

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

No response

(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?

No response

(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?

No response

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

No response

About the respondent

SHV Energy is the largest dedicated global LPG distributor. As a lower carbon, low polluting fossil fuel, LPG can make a substantial contribution towards improved indoor and outdoor air quality and reduced greenhouse gas emissions. LPG is widely available and is becoming more so due to the increase in natural gas fields around the world. LPG can be used for hundreds of commercial and domestic applications.

SHV Energy is proud to lead the way in developing existing and new markets for LPG around the world through effective innovation, education and promotion strategies. SHV Energy operates in 27 countries. Globally, SHV Energy employs 15,000 people, has a turnover of over €5 billion and provides LPG to tens of millions of customers. As part of SHV Holdings N.V., SHV Energy belongs to a family owned Dutch organisation that has supplied energy to businesses and consumers for over 100 years. Well-known brand names include Primagaz, Calor Gas, Liquigas, Gaspol and Ipragaz.

For further information on SHV Energy and LPG please visit <http://www.shvenergy.com/> and www.whylpg.com.