



EAACA's contribution to DG Energy's public consultation on Financial Support for Energy Efficiency in Buildings

Brussels, 18 May 2012

The European Commission has decided to ask stakeholders from different sectors for their views and input on the important question of how the financial support could be improved for energy efficiency measures aimed at improving the energy performance of buildings, both at EU as well as at national/regional/local level.

We would like to thank DG Energy for this opportunity to express our views and concerns about this important topic as we agree that the lack of financial means is one of the main obstacles to the delivery of energy efficiency in buildings and reaching the fundamental targets of the Europe 2020 Strategy.

The European Autoclaved Aerated Concrete Association (EAACA) represents the interests of producers of autoclaved aerated concrete (AAC) and their national associations across all of Europe. Our members operate more than 100 production sites in 18 countries producing around 15 million m³ of AAC per year. From this quantity about 300.000 homes can be built. AAC is a lightweight and easy-to-use construction material for outdoors and indoors alike with excellent insulation, fire resistance and structural performance qualities.

Introductory remarks

While we acknowledge the importance of boosting the renovation of existing buildings as part of the solution to Europe's energy efficiency objectives, we are concerned about a single focus on renovation. The consultation paper clearly favours the renovation of existing buildings as a priority to achieve energy savings. However, this is an incomplete analysis of the current needs, especially in view of the EU's 20 % target for energy efficiency. As the paper rightly points out, the demolition (0.5 % per year) and new built construction rates (1.0 % per year) are extremely low in the EU. These figures should also be reflected in the strategy to increase energy efficiency.

Support for new buildings can create a high leverage in terms of energy savings, job creation, and economic and social benefits. The replacement of less attractive and inappropriate buildings with low market value and low energy performance with modern buildings proves in many instances more economical and sustainable. The replaced building then meets all modern standards relating to sustainability, accessibility, noise insulation and comfort, and therefore offers more value to the owners and residents.

Our replies to the consultation questions

Not all questions are relevant or applicable for EAACA. We therefore refrained from answering questions 2 c, d, e and questions 3 b and c.

(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?

Reply by EAACA

The document addresses most of the barriers impeding the refurbishment of buildings.

However, the renovation of buildings is only one of the options public policies should consider to improve energy efficiency. As outlined in the Commission's Consultation Paper, demolition and new built construction rates are very low. Public policy should therefore not only encourage the renovation of existing buildings but also the replacement of inefficient or inappropriate and the construction of new buildings to better achieve ambitious energy performing standards.

While we acknowledge that the renovation of buildings should be encouraged and promoted through financial incentives, similar tools should be available for the demolition and replacement of certain buildings, when an assessment determines that the latter option would be economically more affordable and sustainable. Criteria such as the market value and attractiveness of a building should be considered, when deciding between renovation and replacement of a building. A recent study from Germany¹ demonstrated that renovations are not always economically viable and replacement should sometimes be preferred over renovation.

With the current Commission position we see a considerable danger of producing unintended consequences. If the EU policy continues focusing on a single support for renovation, it would even create more barriers to the replacement of buildings, effectively lowering the new built construction rate instead of increasing it, because:

- Excessive support to the renovation of buildings, regardless of economic viability considerations, could result in hampering further new built and replacement rates. Building owners could be incentivised to choose renovation over replacement because of the financial support they would be eligible to, even if it would not be socially or economically viable. To avoid this, there should be a level-playing field, encouraging renovations when they are economically sensible, but also supporting replacement in certain other cases.*
- Other elements besides the economic viability of renovation works have to be considered before deciding between renovation and replacement: The market value of the renovated vs. replaced building, the use of new technologies, improving accessibility, use of non-toxic materials, overall sustainability of materials over the life cycle of a building, etc. Any financial support scheme should be able to take these criteria into account.*

¹ Arbeitsgemeinschaft für zeitgemäßes Bauen e.V. (ARGE) [Wohnungsbau in Deutschland 2011 – Modernisierung oder Bestandsersatz](#), Kiel/Berlin, March 2011. The study considered the energy use of buildings and their suitability to elderly people and families in 36.2 million dwellings (single family or small multi-family homes). The results showed that refurbishment of 10-12% of these small buildings would not be economically or technically sensible, while the demolition and replacement would represent a better alternative in such cases.

(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?

Reply by EAACA

In general, innovative credit mechanisms should be able to provide long-duration credits also for investments in energy efficient new buildings, deep renovations and replacements of buildings. Any new financial instruments have to be able to support all of these activities.

We want to reiterate that it is of utmost importance to avoid creating new market distortions by unilaterally promoting renovation over replacement and constructing new buildings.

A clear market failure can be identified when it comes to housing adjusted to the needs of elderly people. As a recent article from a German daily² shows, even for a developed region such as North Rhine Westphalia, over 3 million new senior-friendly dwellings are required until 2030, while currently only 100,000 of the 8 million existing dwellings are accessible for seniors.

Considering that 2012 is the European year of active ageing and solidarity, EAACA would like to reiterate the growing importance of senior-friendly housing and the need to develop the right instruments to support related construction efforts. Without such measures, there is a growing danger that more and more buildings will no longer be adequate for the needs of our future society.

(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?

Reply by EAACA

EAACA believes that clear policy objectives should be set for the renovation and replacement of existing buildings, similar to the standards set for new buildings as from the end of 2020 (and 2018 for public buildings). Investors and financial institutions require reliable conditions in order to invest in large projects with a long payback period.

EU legislation should allow for and promote voluntary agreements between national authorities, financial institutions and the construction and housing development industry for the use of innovative financial instruments to facilitate investment in energy efficiency (e.g. ESCOs, loans attached to a house's energy bills). Such encouragement instruments should be developed for renovations, replacements of buildings and new buildings.

As initiated with the Energy Efficiency Directive, energy efficiency criteria should be used for new buildings in public procurement tenders.

² WAZ Media Group, 11 April 2012, Wohnungen für alte Menschen sind Mangelware, <http://mobil.derwesten.de/dw/politik/wohnungen-fuer-alte-menschen-sind-mangelware-id6546525.html?service=mobile>

(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?

Reply by EAACA

The use of public funding is crucial to facilitate investment in energy efficiency in buildings, until the adequate mechanisms and structures are operational to guarantee automatic investments in the optimal solution for a given building. In spite of the various EU funding sources detailed in the Commission's consultation paper, the very low figures for building renovation, replacement and new construction demonstrate that these tools have not proven effective so far.

Centrally-managed financial instruments at EU level could support national or regional schemes to facilitate energy efficiency projects. General principles should be set as to the eligibility of supported projects. However, enough leeway should be left to national and regional authorities as to the targeting of precise supporting schemes.

(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.)?

Reply by EAACA

Improving visibility and reliability of clear policy objectives is crucial to mobilise private financing. Public funding should facilitate investments in energy efficiency projects until the right investment mechanisms are in place.

(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?

Reply by EAACA

Binding energy efficiency targets for EU Member States, as well as clear commitments, not only as regards the renovation of public buildings, but also for the facilitation of renovation and replacement of privately owned buildings, will be needed to achieve a critical mass of energy efficiency improvements and to provide investors with visibility and legal certainty.

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For further information, please visit www.eaaca.org
EAACA – Kochstr. 6-7, D-10969 Berlin, info@eaaca.org

Contacts: **Cliff Fudge**, Chairman of the EAACA Strategy Committee (cliff.fudge@hhcelcon.co.uk), **Torsten Schoch**, Convenor of the Technical Committee (torsten.schoch@xella.de) or **Tristan Suffys**, Weber Shandwick (tsuffys@webershandwick.com).