



Public Consultation on Financial Support for Energy Efficiency in Buildings

EUROPEAN COMMISSION – DG ENERGY

FIVRA thinks that the question of how to finance energy efficiency of buildings is a crucial one and that it must be addressed as early as possible. This is evident to all actors that are actively engaged in trying to ensure that the huge potential for energy savings that is locked up in the building stock is released. If we do not reduce the energy demand of the EU building stock, the EU will never reach the goal of achieving a low-carbon economy by 2050 and will fail to meet the EU goal of a 20% reduction in energy use by 2020 through increased energy efficiency.

(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?

The document identifies most of the key factors causing market failure, except two relevant elements: the absence of an instrument to provide long term perspective for the actors of the renovation building market and the absence of incentive to look at how to improve both the rate and depth of renovations taking place.

More emphasis should be placed on better implementation and enforcement of regulations at the national level. A large gap still exists between the commitment which Member States took on the EPBD and the practical implementation of this directive into national legislation. The enforcement of this regulatory framework has frequently been the main driver to building confidence in the energy efficiency market.

(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?

In addressing the market failures, it will be necessary to take a structured approach that will deal progressively with the barriers identified. The barriers need to be prioritized according to where the biggest potential lies and how easy they are to be solved.

Another issue to address is investor confidence in the energy efficiency of buildings together with training the workforce in the building chain, because building investor confidence is a first step to releasing available funding.

The EU is best placed to provide a long term perspective for the energy efficiency market to develop. Implementation and enforcement of laws and regulations should be assured at the national or regional level.

Work on building investor confidence must be addressed at all levels.

(c) How could these failures be best addressed?

These failures could be best addressed through a concerted, coherent and integrated policy development and implementation in which a stable, long-term climate for investment in energy

efficiency of buildings is created. Despite the global economic and financial crisis, there is a fund of money that is already committed by the Member States in the context of the Multi-annual Financial Framework (MFF) for investment in energy efficiency of buildings. The European Commission has proposed that a minimum of €17bn be dedicated to energy efficiency and renewable energy sources in the period 2014-2020. **It is important that at least 50% of this amount be earmarked for energy efficiency in buildings and in particular the building envelope.** Also missing is an investment grade policy at the EU and at the national level which would see a rapid flow of private money to energy efficiency.

For example, how could behavioural change needed for quicker uptake of energy efficiency measures by society be triggered at the national level?

The first starting point must be to ensure that all information on energy efficiency is framed in a positive light and that the benefits of energy efficiency are made visible, including for individuals. Thereafter, fiscal incentives at national level have also proven to be an efficient policy tool to encourage certain behaviour.

How could the development of an energy services market for households be further stimulated?

A way to further stimulate the development of an energy services market for households it may be aggregating a number of households into a larger single project is one way to help the market to develop.

What could be done to increase awareness raising and promotion of energy efficiency in buildings?

- Public awareness campaigns
- Educational programmes targeted at the young
- Enforcement of certification schemes and existing legislation in general
- Creating a societal demand around energy efficiency
- Better displaying and publicising the extensive benefits that energy efficiency brings and the increase in employment
- Greater promotion of successful projects
- Timely and relevant feedback to the end-user, transparency in usage and relevant measures.

How could the business community (e.g. building sector, ESCOs, local banks, etc.) be better supported in delivering energy efficiency in buildings?

Increased technical assistance programmes that are specifically designed to address each part of the supply chain need to be maintained and increased. Such programmes can be used to assist and guide all those that have a responsibility to deliver energy efficiency in buildings.

Improving and reinforcing the ways that public procurement rules and procedures can favour higher levels of energy efficiency in buildings that are procured by contracting authorities would also help.

In order to promote the development of an ESCO market in Europe, the main barriers need to be addressed. These include a lack of policies and support mechanisms, capacity constraints, a lack of common definitions and harmonized processes, prohibitive public procurement and budget rules, and the market failures mentioned previously. The main issue for the sector is not one of finance but a lack of knowledge of the types of services an ESCO can offer. The barriers we mention are the key elements in stopping projects moving forward - removing these will help to increase awareness as more projects are successfully concluded.

How could the split incentive problem be best tackled?

(2) Improving access to financing

(a) Are the current EU-level financial tools for energy efficiency in buildings effective?

There are problems with some of the current EU-level financial tools that restrict their effectiveness. These relate to the complexity of getting funding to flow to actual building projects and to the lengthy and burdensome procedures that must be fulfilled. In the case of the Structural Funds, there are additional problems related to the fact that rules allowing for the Structural Funds to be used for energy efficiency in buildings are recent and the main actors involved in managing those Funds are unfamiliar with the energy efficiency market and how it works.

Furthermore the transactional costs are often too big for banks and timelines are too long for potential users.

How could the uptake of EU-level funding for energy efficiency(including cohesion policy funding) be improved?

It may be improved by using EU funds to generate investor confidence in the energy efficiency market and to guarantee loan and to lower interest rates on energy efficiency loans provided by retail banks, as it has been done by the KfW scheme.

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

The best way to mobilise private finance is to create a long-term stable investment environment that will build investor confidence. There is a need for long term programming of measures and policies in the shape of a roadmap.

What would be the role of public funding (both at EU and national level) in this context?

Public funding would serve as a guarantee to enable private investments and loans.

Is access to (project development) technical assistance an issue and how could it be provided most efficiently at the national, regional and local level?

The issue is to maintain and increase technical assistance in the future. Early results with the ELENA technical assistance programme indicate that for every €1 spent in providing technical assistance, €60 has been invested in real projects. This is a significant leverage that underlines the enormous value of technical assistance programmes.

(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?

In order to get the market for energy efficiency going, it would be helpful to have guarantee schemes in place.

In addition, the setting up of investment and or special purpose entities should be facilitated in a cost-effective and tax-efficient manner.

(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?

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

The KfW scheme

The Irish Home Energy Savings scheme

The Green Deal

The Kredex Fund

(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?

Yes – there is a strong need for a Roadmap for the renovation of the EU buildings stock that has a time horizon of 2050. That Roadmap should set out the steps that the EU needs to take in order to ensure the achievement of our goal of reaching a low-carbon economy by 2050. It should contain interim targets for 2020, 2030 and 2040 and should describe a series of measures and policies that both the EU and Member States could use in order to reach our destination.

The required level of ambition in such a Roadmap would be to reduce the energy demand of the EU building stock by 80% by 2050 as compared to 2005 levels. These Roadmaps are to be designed and implemented at the national level, according to national specificities.

(b) What could be specific measures to be taken at national level to implement an complement most effectively the EU-level regulatory framework for energy efficiency?

The writing and implementation of national roadmaps for the energy efficient renovation of the national building stock in a complementary action to that described above for the EU.

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

It would be worthwhile to encourage the uptake of training programmes at national level in order to build up the skills in the building chain.

Also enforcing product standards would improve confidence building in Green products and solutions.