

City of Antwerp response to the public consultation on 'Financial Support for Energy Efficiency in Buildings'

In its consultation paper of February 2012 on 'Financial Support for Energy Efficiency in Buildings', the European Commission stresses that the potential for energy efficiency in buildings remains largely untapped, and identifies a number of reasons – related to market failures, financial barriers and the regulatory framework – for this so-called 'energy efficiency gap'.

With this document, the city of Antwerp wants to respond – in brief – to the concerns raised by the European Commission. In view of the challenges ahead and in line with its 'climate plan', the city of Antwerp is committed to play an exemplary role in reducing energy consumption and evolving towards energy neutrality.

Introduction: setting the example

The 'climate plan', approved by the Board of Mayor and Aldermen on 28 January 2011, spells out the ambition of the city of Antwerp to reduce carbon dioxide emissions on the city's territory with 20% by 2020 (and with 30% in the city's own organization – both in relation to reference year 2005), and to become fully carbon neutral by 2050. Through its climate plan, the city aims to fulfil the commitments following from its accession to the Covenant of Mayors in 2009.

Although the emission of carbon dioxide by the city organization represents only a fraction (3.4% in 2005) of the total emission on the territory of Antwerp, the city clearly realizes it has an exemplary role to play. If it wishes to encourage other parties (citizens, businesses and organizations) to contribute to a city-wide reduction of emissions, the city – as a public authority – will need to act in a credible way. As such, new school buildings in the city of Antwerp are built according to the 'passive house' energy standard (since 2009). The overall ambition for new public buildings is to meet the nearly zero energy standard as from 2019. Also for large-scale urban renewal projects, the climate plan highlights sustainability as a key challenge. In Blue Gate Antwerp, for example, the ambition is to develop a former brownfield into an eco-effective and energy-positive business site. For its new projects, for example the newly planned residential quarters of Nieuw Zuid and Nieuw Zurenborg, the city is required to study the feasibility of implementing collective energy supply (heating/cooling).

Addressing market failures

The city of Antwerp agrees with the set of barriers identified by the European Commission, although some additions can be made about the 'split incentives' problem for residential buildings:

- First of all, as mentioned in the city of Antwerp's climate plan, split incentives tend to be more of a problem in urban contexts, as tenement houses take up a larger share of the housing market (cf. in 2001, 45% of housing in the city of Antwerp was inhabited by tenants and 55% by owners, the latter figure being rather low in comparison with the Flemish average of 73.8% in 2001). Furthermore, cities face additional problems with regard to energy efficiency in and the need for refurbishment of dilapidated buildings, student housing, and social housing.
- Secondly, in case of multi-family housing with shared ownership, split incentives problems tend to be more complex (e.g. ground floor inhabitants not wanting to pay for roof isolation).
- Finally, elderly people tend not to see the need for renovating their houses (for as long as they live), knowing that these houses will undergo an in-depth renovation after being sold.

Although some of the market failures are difficult to address, in particular for local authorities (e.g. energy market prices), the city of Antwerp believes that the local level has an important role to play with regard to the information failure:

- As highlighted by the climate plan, there is an obvious need for awareness-raising: citizens, companies and organizations have to become aware of their ability to reduce energy consumption and emissions. Citizens are in need of accurate information about the energy performance of their homes, saving opportunities, the cost of energy efficiency investments, as well as the payback period for these investments. In general, there is a need to expand the supply of information. In the city of Antwerp, this role is taken up by the EcoHuis ('EcoHouse'), which provides citizens with information/advice on energy efficient home renovations (including on the availability of energy grants and loans). EcoHuis even offers the citizens of Antwerp a free energy scan of their homes as well as (small-scale) financial support for energy saving measures. In its efforts to raise awareness and provide financial support, the city of Antwerp has special attention for specific target groups (such as owners, tenants, socially disadvantaged people, public and social housing companies, occupants/owners of social housing), and takes into account the diversity of the residential market (single-family dwellings, apartments, co-ownership).
- Also organizations (including city departments and services) and businesses are in need of information and training, on low energy and 'passive house' buildings and cradle-to-cradle techniques. In the building sector, skills of professionals/craftsmen need to improve. Here, regional governments and sectoral organizations should be encouraged to tackle the lack of training. In general, there is need to expand the available training offer as well as to invest in 'green jobs'.
- Finally, Energy Service Companies (ESCOs) and other ways of financing energy efficiency investments (e.g. revolving funds with public sector start-up funding) also have a role to play. In Flanders, there is still little knowledge about the benefits and usage of ESCOs and third-party financing. Also, the ESCO market is still under-developed. With a view to stimulating both the usage and the market as such, exchange of best practices between European regions and cities would be very welcome.

Improving access to financing

The provision of financial incentives, as indicated above (both by local authorities – cf. financial support by the city of Antwerp's EcoHuis – and by ESCOs – i.e. investments financed by energy savings throughout the payback period), is a necessary means to close the so-called 'energy efficiency gap'. Also the European Union, through its various funding programmes, has a vital role to play here:

- In general, EU funding programmes could provide additional assistance with regard to awareness-raising, education and training (e.g. through the European Social Fund), and the development of pilot or demonstration projects. In addition, funding should not only be available for renovations of the existing building stock, but also for newly-constructed buildings (e.g. schools and social housing with 'passive house' standard).
- As such, it is a positive evolution that the proposal for the future cohesion policy includes the 'shift towards a low-carbon economy' on the list of thematic priorities, and that support for 'energy efficiency and renewable energy use in public infrastructures and in the housing sector' is listed as one of the investment priorities.
- The Seventh Framework Programme for Research and Technological Development (FP7), on the other hand, is currently not sufficiently 'accessible' for cities. In some cases, specific conditions have made FP7 too ambitious for local cases to implement (e.g. FP7 condition of creating energy efficiency in more than 1500 units is too ambitious for small and medium-sized cities). Given the importance of investing in energy efficiency, EU funding programmes should include more opportunities for cities (cf. Horizon 2020), and should also aim for a higher success rate of project proposals (as in the case of the Intelligent Energy Europe programme).

- In contrast, the various INTERREG-programmes on the territory of Flanders have meant a change for local authorities over the last years. INTERREG succeeds in bringing together partners with a common goal, and more importantly, with common backgrounds. Also, the evaluation of project proposals is done by experts who are better able to evaluate the use of a project given the specific socio-cultural and geographical background.

With regard to the use of alternative financial instruments (cf. ELENA, EEEF, JESSICA) for energy efficiency projects in Flemish cities, the following obstacles have been identified: whereas ELENA and EEEF require a high level of investment and as such do not seem to be tailor-made for small or medium-sized cities, there is currently a lack of information about the relevance and benefits of JESSICA for the Flemish region. Also here, exchange of best practices across Europe needs to be further stimulated.

Strengthening the regulatory framework

Finally, with regard to shortcomings in the existing regulatory framework, the city of Antwerp would like address following issues:

- In addition to the provisions of the Commission proposal for a new Energy Efficiency Directive, there is a need for rules on the 'valuation' of companies providing heat exchange.
- Requirements for energy efficiency in buildings should have special attention for specific target groups (elderly people, disadvantaged persons, co-ownership, tenant/owner, cultural heritage, ...).
- The building sector should be more supported at technical, economic and regulatory level, in preparation of the nearly zero energy standard for new buildings. A large share of current projects under the EU Competitiveness and Innovation Framework Programme (CIP) do not reach the local installers and building craftsmen. Those profiles are hard to reach with English websites and brochures. Nonetheless it is essential that they are aware of the transition the building sector will need to undergo the next years. Here, there is clearly a need for education of professionals and skills training, and as such for initiatives to be taken by the competent/regional authorities (Flemish government) and especially sectoral organizations.
- With regard to split incentives, there is a need for a framework addressing the problems related to the contract between tenant-owner and related to co-ownership.