

EC Public Consultation

‘Financial support for energy efficiency in buildings’

Input from VEA (Vlaams Energieagentschap, Flemish Energy Agency), Belgium

(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 Flemish Energy Agency agrees that the barriers identified in the document are crucial hurdles that need to be addressed in order to increase investments in energy efficiency. Moreover, the timing of investments is inherently associated with the change of owner or tenant of buildings. Energy efficiency investments should get more attention at these milestones in the life-cycle of a building.

For buildings with very poor energy performance, demolition and rebuilding is often to be preferred to renovation. In many instances however, demolition and rebuilding is not the chosen option.

- (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?

Awareness about climate change and energy related problems in particular is rising (and so are energy prices) and investments in energy efficiency are increasing at a slow pace. Especially split-incentive problems and other inconvenience barriers seem important but difficult to tackle. Due to the high technical nature of energy efficient technologies, end-users, both tenants and owners of buildings, are highly uncertain about investments in these technologies. The Flemish Energy Agency is convinced that these are the barriers that would be most urgent to address. Each of these barriers needs to be addressed at a different level.

The information barrier could be addressed by a widely spread awareness campaign at EU level that can be adapted by authorities at national or regional levels. This campaign should be supported by results from technical and scientific studies as well as evidence based results of investments in energy efficiency.

In Flanders, there has been a growing success of ‘purchasing together’ actions. Especially ‘group purchasing’ of electricity or gas has been very successful. In some regions, insulation products as well as boilers are also the object of such group purchases. This results in lower transaction costs and total prices for both suppliers and customers. These group purchases could be stimulated and/or regulated at national or regional level.

With regard to the split incentive problem, the Flemish Energy Agency is convinced that an obligation at EU level about incorporating the energy performance of a building in its rental price, would create more awareness (both with landlords and tenants) and stimulate energy efficiency investments.

- (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 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, ESCO's, local banks, etc.) be better supported in delivering energy efficiency in buildings. How could the split incentive problem best be tackled?

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(2) Improving access tot 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 funds) 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?

EU funds could be used to finance national or regional funds or financing schemes that provide loans to the owners or end-users of buildings for investments in energy efficiency. For specific target groups, the role of these funds should not be limited to just providing the money, but they should also provide technical assistance and administrative support throughout the whole investment process.

It is crucial that regular credit lines for individuals and companies are not threatened by the increase of investments in energy efficiency. As this might be a barrier for financial institutions, EU funding and guarantees are very important.

- (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.)?

Since savings at regular bank accounts at present do not give high yields, individuals as well as companies could purchase ‘energy bonds’. The capital gathered in this way (in a national or regional fund) could then be used for investments in energy efficiency and loans to individuals and companies with pay-back times in accordance with the savings on the energy bills realised by the investment. EU funds could provide guarantees for these national or regional funds. As pay-back times are quite long for most of the energy efficiency investments, this type of financing could change perceptions about costs and risks of private investors.

- (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)?

The Flemish Energy Agency is convinced that there is a high need for such guarantee systems.

- (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 administration at all levels?

Information about costs, energy savings and pay-back times should be made widely available to all stakeholders. This requires an awareness campaign backed up by scientific and evidence based results regarding energy efficiency investments.

Moreover, transaction costs should be reduced compared to investment costs. As the volume of these types of investments increases and loans for these investments become more easily accessible, transaction costs could be reduced.

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

Several funds have been created at national or regional level throughout Europe.

In Belgium, the ‘Fonds ter Reductie van de Globale Energiekost’ (FRGE), provides cheap consumer credit for investments in energy efficiency in existing buildings to private home owners and tenants. It especially focuses on vulnerable target groups. These target groups are guided from the start of the decision process until the realization of the project.

The FRGE operates at a local level and is not available in all cities and communities throughout Belgium. Since a guarantee by the regional authority came into force, there has been a strong increase in the number of cities and communities that offer these FRGE-loans. This shows the importance of guarantees provided by higher policy levels.

In spite of the focus on vulnerable target groups and in spite of the type of investments, typically regarded as quite risky investments, repayments have not been a problem.

(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?

In general, there is a need for long-term vision and commitment both when it comes to legislation as to financial support.

The Flemish Energy Agency advocates a ‘toprunner’ programme at EU level for installations and appliances as well as a list of ‘good practices’ regarding energy efficiency obligations (norms?) and enforcement.

- (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?

Continuous changes in legislation and financial support mechanisms increase uncertainty and thereby decrease investments in energy efficiency. It is important that EU-legislation and financial support create a stable environment for energy efficiency investments.

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