

Response from the Netherlands regarding Consultation Paper “Financial support for Energy Efficiency in Buildings”

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?

The Netherlands believes the barriers identified in the consultation paper are the most important ones, except for low energy costs, which are not considered to be a market failure (except when they do not reflect all external costs, which is the second market failure mentioned under 4.1). The problems/barriers are more on the demand side: We should therefore focus on a demand-driven approach. Energy savings are not considered as ‘sexy’; homeowners would rather spend money on other things (for example on a new kitchen or bathroom or on a holiday). The barrier is still too high. People find it difficult to overlook the whole chain, for example comparing future benefits with current costs. Consumers want to have certainty on the benefit of energy saving measures. Consumers have little prospect of obtaining a loan, because regular banks generally do not finance energy saving measures. Only one bank in the Netherlands currently offers this possibility. A large-scale approach is lacking, however there are some housing corporations that employ a large scale approach. Insufficient attention is given to energy savings in education, especially education in the field of building engineering. This despite the fact that studies have shown a positive market impact of energy performance certificates: homes with better/greener energy performance certificates have higher selling prices (a high level of energy efficiency adds value to a property).

- (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?

According to the Netherlands the most urgent market failures to be addressed are:

- information failure;
- split incentives

The building industry is largely absent; the industry sees no market for the renovation of existing buildings due to the focus on the construction of new buildings.

With regard to the question ‘at what level would these failures be best addressed’, the Dutch view is that this is mainly a national or regional/local responsibility

- (c) How could these failures be best addressed? For example; how could behavioral 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?

With regard to behavioural change, we can make a distinction between (1) consumption behavior and (2) investment behavior. Consumption behavior is best addressed by pursuing the individual approach: by giving people an insight into their own energy consumption and to provide feedback. One needs to understand what motivates people, what facilitates and what strengthens them in the desired behavior. Investment behavior is best addressed by developing tools with parties such as real estate brokers, mortgage lenders and other intermediaries. In the NL we have developed a tool (a

guide to energy savings) which provides a complete and current list of grants, loans and other arrangements for homeowners, housing associations and private landlords. Here one can see exactly what opportunities there are in each particular situation to receive a grant or loan provided by the central government, province or municipality.

To increase awareness of business and citizens and promotion of energy efficiency in buildings it is important to give enough publicity to energy saving projects/pilots that have been successfully completed and to share those experiences with the market, intermediaries and the government. One way of supporting investment in energy saving measures would be to promote Esco's, low-interest loans for taking energy saving measures etc. The split incentive problem is a common problem which is not easy to tackle. Often the split incentive problem, where costs and benefits are not well divided between tenant and landlord, is an obstacle to making a building more sustainable. In the Netherlands the market has developed a so-called 'Green Lease contract' in which landlord and tenant make specific agreements on the allocation of costs, benefits and risks when making a building more sustainable. The principle of green lease encourages and ensures sustainable exploitation and use of a building. Examples of sustainable rental agreements are the cooperation between Deutsche Bank and DekaBank and between Gasterra and Triodos Bank.

(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?

EU-level financial tools are generally designed to be utilized by regional or local governments; they are (usually) not designed for constructors or homeowners (or owners of non-residential buildings). This can be considered a barrier. The Netherlands is of the opinion that the current system of EU-level financing for energy efficiency in buildings should be more transparent. Not many people/businesses are aware of EU-level financial tools. The process to apply for EU-funding is complicated, so many people/businesses drop-out. Municipalities are not always aware of the possibilities of EU-level financing, such as support instruments like JESSICA, ELENA and JASPERS. Information on how to apply for EU-funding for energy savings in the built environment should be improved and made more accessible. In the financial sector, lack of awareness and knowledge about energy savings in the built environment constitutes a barrier. Reliable data on actual savings from energy saving measures are lacking. Potential financiers are not able to make a risk-assessment. The Netherlands believes that EU-funding in this field should also be linked to urban development to be able to utilize the funding for energy policy in the built environment. The Commission should have a neutral role with respect to the instruments to be employed. As regards financing opportunities through Cohesion funds (in shared management mode with Member States), funding is already available to be dedicated to energy efficiency aims.

Management Authorities must be able to have some flexibility. In general, The Netherlands is not an advocate of creating new, additional Financial Instruments or funds especially dedicated to energy efficiency of buildings, but existing funds and instruments (including Cohesion funds) could be more dedicated to this aim without putting upward pressure on the EU budget in general. Rather, the opportunities for energy efficient investments within existing EU funds or EU instruments can be enhanced, either by allowing higher percentages to be allocated to this aim (optional, not all regions have the same need), or by introducing more incentives for private co-investments, in regions or cities where this is lacking. These financial instruments should by no means lead to market distortion. However, when using financial instruments such as guarantee schemes or equity, financial

liabilities to the EU budget or national/local budget must be limited to the amount of resources deployed. Another precondition is that sound financial management is ensured and effective audit and control mechanism are put in place.

With regard to the EIB: the EIB could indicate which percentage of energy savings is to be expected when financing projects within the built environment. Such investments should adhere to pre-set and accountable energy-efficiency benchmarks.

- (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.)?

The NL believes that public-private partnerships are one way to mobilize investments in energy efficiency projects. Government budgets are constrained. Access to (project development) technical assistance is not so much an issue in the Netherlands.

- (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 Jessica initiative already provides the possibility to member states to invest part of their structural funds in financial engineering instruments. Guarantee systems could be an appropriate tool to create a leveraging effect related to building efficiency investments but according to the NL, can only be established at EU level (direct or shared management) if certain crucial conditions are fulfilled: an ex-ante assessment on feasibility and cost effectiveness, identifying market failure, including a clear exit strategy to avoid dependence on public funding. Financial liabilities to the EU budget or national/local budget must be limited to the initial amount of resources employed (in line with the EU Financial Regulation). Another precondition is that sound financial management must be ensured and effective audit and control mechanism are put in place.

- (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?

For investments in energy saving projects it is important to have examples of projects that have proven to be profitable. Private investors could also help to improve investments, but the Netherlands has very little experience with that.

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

Examples of pilots at national or regional level are: Block-by-Block, Green Deals, pilots by SEV (Stuurgroep experimenten Volkshuisvesting).

Block-by-Block

To accelerate energy savings in existing buildings the Netherlands started a pilot end of 2011 for a comprehensive approach to existing buildings, under the name of Block-by-Block.

Under this scheme, the market, municipalities, housing corporations and counties aim to implement a joint plan to make existing houses much more energy efficient (2 EPC-steps). There are 8 projects

which aim to improve the energy efficiency of 2000 houses within three years (2 EPC-steps). There are 5 projects which aim to improve the energy efficiency of 1500 houses within three years (2 EPC-steps). The intention was to use standard packages, with a management role at local level and with the use of capital from the market (for example institutional investors) to get started. The government is supporting the pilot with a small financial contribution to address the process fees. Part of the approach is to change/influence the behavior of residents.

Green Deals

There are 19 so called "Green Deals" aiming at improving the energy efficiency in the built environment. Here are some examples: (1) The province of Overijssel is planning to make 10.000 existing private homes much more energy-efficient in the period 2012-2014. The housing plan is part of the large-scale approach ("Green Deal") of energy in the built environment. (2) The construction of a steam network in the Rotterdam Botlek area. The aim is to eliminate barriers to heat supply and to encourage energy services. (3) Rotterdam Climate Initiative. The aim is to remove barriers to heat supply and to encourage energy services. (4) City of Amsterdam is aiming to build new zero energy buildings as of 2015 and exploring new initiatives for housing insulation.

Projects by SEV

- Local All Lights on Green

"Local All Lights on Green" supports the realization of very high energy ambitions of individuals. The project focuses on municipalities, the construction sector and individuals. Under this project, six groups of: homeowners, parties in the construction sector, and municipalities get the opportunity to get started with the transformation of existing buildings, which are renovated, into zero energy buildings. The collaborating parties receive a maximum of € 250,000 in kind (advice, communications, calculations, etc).

- There are also several tenders:

* tender small scale in Urban areas

* tender for offices: the purpose is to reduce the energy demand of office buildings associated with a typical use of the building (energy used for heating, cooling, ventilation, hot water and lighting). The aim is to transform existing office buildings which are renovated into zero energy buildings. The two tenders are not completed yet.

(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?

EU-level: The Netherlands is of the opinion that no further EU-level regulation is needed to stimulate energy efficiency investments in buildings and that there is no need for new or additional funds/instruments to be created, rather to seek more opportunities within existing funds and instruments.

- (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?

The Netherlands has no special recommendations

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

More awareness is needed.