

The European Alliance of Companies for Energy Efficiency in Buildings (EuroACE) represents **Europe's leading companies involved with the manufacture, distribution and installation of energy saving goods and services for buildings**. EuroACE members have a total turnover of around €140 billion per year in efficiency-related business and they employ approximately 172,000 people in these activities in Europe. The mission of EuroACE is to work together with the EU institutions to help Europe move towards a more efficient use of energy in buildings, thereby contributing to Europe's commitments on climate change, energy security and economic growth.

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EuroACE Response to GREEN PAPER on EU Post 2020 Climate and Energy Policy

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A binding and meaningful 2030 target for energy efficiency is an imperative milestone towards achieving the EU's ambitions for the creation of a competitive and sustainable low-carbon economy by 2050. Within this framework, a binding sectorial target for buildings, which are responsible for around 40% of energy consumption in the EU, is a must to secure the needed transformation of the building stock.

Executive Summary

- **EuroACE member companies believe that energy efficiency has to be the starting point in the design of the post-2020 framework for climate and energy.** Making increased energy efficiency key for future competitiveness of the EU would help cutting energy costs and energy dependency while boosting jobs and growth.
- **EuroACE calls for a binding and meaningful EU energy efficiency target for 2030 as a central element of the Post-2020 policy framework. A binding target embedded into a long-term, stable policy framework,** is vital to build investor confidence in energy efficient buildings. It is essential to revitalising the construction sector.
- **The framework needs to include a set of three equally binding targets.** These three targets will enable the EU to boost its competitiveness through reducing energy wastage (energy efficiency target); meet its climate ambition (GHG target) and secure a high share of renewables in its energy mix (renewables target). Importantly, given the weak economic performance of the EU, targets should contribute to, and not hinder, economic growth.
- **The way to design the energy efficiency target should follow a bottom-up approach** as a pragmatic and realistic approach to drive energy efficiency gains where it makes most sense, from an economic and environmental perspective.
- In addition, given that energy efficiency in buildings is the most cost-effective way for the EU to achieve its climate and energy goals, as well as one of the most promising options to create a higher growth rate in the EU, we believe that a **sectoral target for buildings should be included in the scheme.**

1. The Current EU Policy Framework and What has Been Achieved (Addressing questions 4.1.1, 4.2.1 and 4.2.2)

EuroACE's assessment of the climate and energy package adopted in 2008 is **that it has not delivered enough on energy efficiency** despite it being the most cost-effective approach to achieving climate and energy goals. As a result, a large potential of energy efficiency i.e. buildings, has been left untapped.

One of the main stumbling blocks preventing the EU to rapidly grow out of the crisis is inefficiency. More specifically, **energy inefficiency is undermining our competitiveness, increasing our vulnerability to security of supply and unnecessarily burdening public finances**. Europe has a massive €423 billion energy trade deficit, indicating the huge amount spent on supplying Europe with energy. The less efficient our economies are, the less likely they are to benefit from any measures toward growth, because of the disproportionate share of energy costs for enterprises', households' and public budgets.

We see **two main reasons for this underachievement**:

- **First, the energy efficiency target was non-binding, contrary to the GHG and RES targets**. This has led to a lack of prioritisation, to inconsistencies in the design of national measures, and overall to a lack of ownership at all levels of our economies, societies and governments. In addition, energy efficiency has suffered a lack of reporting, enforcement and monitoring. Overall this has prevented the indicative energy efficiency target from becoming a reality.
- **Second, the top down approach used to define targets for GHG or energy efficiency** did not enable those sectors with a high cost-effective potential for energy efficiency, primarily buildings, to unleash their potential. The target for energy efficiency should have been broken down to sectors and based on cost-effectiveness.

2. Energy efficiency : a centerpiece of our journey towards 2050 (Addressing questions 4.2.1, 4.2.3 and 4.4.1)

Towards 2050: The overall 2030 framework for climate and energy should not be looked at in isolation. This next framework should be seen as an important intermediate step in delivering the EU strategy for 2050, providing a clear vision combined with policy predictability and investment security for companies and other stakeholders. In this way, the EU must ensure coherence with existing climate and energy objectives and with its long-term Roadmaps¹.

Priority should be given to energy efficiency as the most cost-effective target, such target being complemented by a GHG target and a RES target. A separate energy efficiency target is necessary because energy efficiency is not only relevant for climate protection (contributing to a GHG target), but of utmost importance for a wider range of policy fields, including the stimulation of economic activity, reducing energy trade deficit and fuel poverty, securing energy supply and improving indoor climate – and thus health - conditions. A higher efficiency in all sectors is absolutely fundamental for the EU to compete with other regions on an equal footing, e.g. China where resource efficiency (including energy efficiency) has a high priority.

There should be an overall binding energy efficiency target, in order to mobilise stakeholders towards implementation, improve willingness of stakeholders in key sectors to achieve a real change, and increase its chance to be met. At the same time, **other policy instruments should be linked to the targets**, such as cohesion funds, national spending of ETS revenue and research policy, to ensure the provision of necessary financing. Specifically, better sharing of innovative approaches and quicker uptake of those approaches could be supported by public funds as part of the EU Horizon 2020 programme.

¹Roadmap for a Low Carbon Economy, Roadmap Energy 2050, Strategy for Resource Efficiency 2050, etc.

Not least, we believe that an **ambitious 2030 climate and energy policy is a must for the EU and should not be dependent on achieving an international climate agreement in 2015. A strong commitment to energy efficiency will** enable Europe to lead as a best practice region for sustainable climate action when demonstrating how to balance it with energy security and competitiveness.

3. Maximising the potentials through bottom-up targets' design (Addressing questions 4.2.3 and 4.2.4)

Maximising potentials: The new framework must enable MS to become more ambitious about energy efficiency. For that, the overall 2030 energy efficiency target must be based on the energy efficiency potential of each of the main contributing sectors, amongst which the buildings sector has repeatedly been shown to have the largest cost-effective savings potential, representing in this sense a huge investment opportunity. **Sectorial targets must be built on the cost-effective and technological potential for each sector** and not on the ease of enforcing them.

Breaking down a general energy efficiency target into sectorial targets reflecting their respective potential will make it possible to **express specific targets in the most suitable manner**. This could be e.g. in terms of absolute energy savings for a sector like buildings (compared to base-lines) or in terms of energy intensity in industry sectors (disaggregated energy consumption for production processes).

Key parameters for all objectives need to be defined and a monitoring process needs to be set up – to enable respective EU policies to be reviewed in case the EU is not on track towards these objectives.

4. Focussing on energy efficiency in buildings (Addressing questions 4.2.3, 4.3.2 and 4.3.5)

A sectoral energy efficiency target for buildings seems essential within a framework based on three binding targets. This is the only way to focus investments on building renovation programmes, which have repeatedly been shown to be the largest cost-effective energy savings and emissions reduction potential of any sector in the EU. It would thus greatly facilitate meeting general energy efficiency targets.

Such a sectoral target for buildings should be linked to the ambition of an 80% reduction in energy demand of buildings by 2050, an objective confirmed as technologically feasible and economically viable by many studies², and recently specified in the European Parliament's own-initiative report on the Energy Roadmap 2050.

Not least, equipping the journey towards a low energy building stock by 2050 with a strategic milestone for 2030 would be essential in terms of providing regulatory predictability to the building sector and its industry, the absence of which today prevents the deployment of already existing high efficient technologies. It would help industry to better plan investments in plant capacity, products, R&D, etc.... Ultimately, such a target for buildings would ensure the right investments decisions and boost technological developments.

5. Ensuring buildings lead the way is essential for our competitiveness : some considerations (Addressing questions 4.4.1, 4.4.5 and 4.4.8)

Setting an overall binding 2030 energy efficiency target based on the quantified potential contribution of each sector, is a key stepping stone for **growth** and long-term sustainability. The EU is currently

² "World Energy Outlook 2012", International Energy Agency
www.worldenergyoutlook.org/media/weowsite/2012/PresentationtoPress.pdf, Slide 13, Energy efficiency: a huge opportunity going unrealised

"Building renovation in Europe toward 2050: What are the choices?" Ecofys , 2012

facing an economic, social and environmental crisis that requires **strong policy focus on competitiveness, economic growth and job creation** while not losing sight of long-term sustainability objectives.

A meaningful, overall binding energy efficiency target for 2030 within which a binding sectoral target for buildings is made a prominent feature would be:

- **Good for the economy:** Implementation of ambitious energy efficiency measures, particularly in buildings would significantly contribute to reducing our dependence on energy and helping the EU to get more out of its own resources. Indeed, the most important and largest indigenous source of energy is energy efficiency and it is also the most cost effective on a “per kWh” basis. Not least, more energy efficiency means less infrastructure needs and equals more cost-effectiveness, thus making the transition towards a low carbon future less risky and less costly.
- **Good for public finances:** A focus on energy efficiency would provide extensive macro-economic savings, improving the economic situation of many national economies. In addition, public finances would benefit from new actions in energy efficiency: research has demonstrated that investing in activities such as ambitious energy efficient renovation of buildings would bring vast immediate benefits for public budgets³.
- **Good for business:** Binding energy efficiency targets would keep energy prices and costs, which are key elements for maintaining the global competitiveness of European businesses, at reasonable levels. Such targets will also provide a boost to competitiveness, not only because of more efficient production, but also because of the induced innovation that higher energy efficiency requires. Indeed, the strong development of EU energy efficiency technologies will put the European energy efficiency industry in the forefront of developments and innovation in this area, thus allowing for expansion of future export markets.
- **Good for employment:** Energy efficiency-related activities have the potential to put millions of EU citizens back to work, especially in those sectors that have suffered most during the crisis. Investing in energy efficiency is about creating jobs, as €1m invested in energy efficiency creates, on average in the EU, 19 jobs⁴. A well-documented example of this benefit is the German KfW scheme for building renovation, which, in 2010, created or safeguarded around 340,000 jobs⁵ in Germany alone. Another study⁶, published in 2011, shows that at EU level, ambitious renovation programmes could lead to the creation of up to an average of 1.1 million new direct jobs in the construction sector for the full period up to 2050.
- **Good for the environment:** If the EU is serious about reaching its 2050 climate goals (85% less overall CO₂ emissions, 88-91% lower emissions from the residential sector), ambitious action must start now and be maintained throughout the period to 2030 and beyond. A cost-effective savings potential in the building sector may remain untapped if current policies are not upgraded; with the risk that a great part of the potential of GHG emissions is being locked in in existing buildings. Not least, energy efficiency helps reducing the amount of polluting emissions from buildings, hence contributing to improving the quality of ambient air.
- **Good for EU citizens:** Cutting energy spending in EU homes through ambitious energy efficient renovations brings wide savings to the end consumer. From its own estimates, the European

³ According to the study “Multiple Benefits of Investing in Energy Efficient Renovations - Impact on Public Finances” (Copenhagen Economics, October 2012) gross annual investments of 41-78 billion € in building renovation bring annual returns of €104-175 billion to society of which €29-39 billion go to public finances

⁴ “How Many Jobs?”, A Survey of the Employment Effects of Investing in Energy Efficiency of Buildings, Energy Efficiency Industrial Forum, 2012

⁵ “Impact on public budgets of KfW promotional programmes in the field of ‘Energy-efficient building and rehabilitation’”, KfW, 2011

⁶ “Europe’s Buildings Under the Microscope” by the Buildings Performance Institute of Europe

Commission states that energy efficiency in buildings could save around €600 per year per household by 2020⁷. This aggregates to around €12bn in annual savings for homeowners in the EU. Renovating the EU building stock will also significantly reduce fuel poverty⁸ and will contribute to urban renewal, thereby strengthening social cohesion in the EU. In addition, energy efficient renovations of buildings where the indoor climate is simultaneously improved have a positive effect on occupants health, workers' productivity and learning abilities of the people living and working in the buildings. This improvement in general well-being has extensive positive effects on citizens and thus on society as a whole.

End

⁷ "European Commission's Communication Energy efficiency: delivering the 20% target" European Commission, COM(2008) 772

⁸ "Tackling Fuel Poverty in Europe: Recommendations Guide for Policy Makers", Epee, Ademe, IEE, 2009