

## **POSITION PAPER – Energy Efficiency Directive - January 2012**

EuroACE has high expectations of the Energy Efficiency Directive (EED). If well designed, the EED will enable all actors to tackle the huge potential of the European building stock for energy savings. This will, in turn, free up money for other projects through decreased energy bills, job creation and limitation of EU dependence on external energy sources.

The building sector accounts for over 40% of EU energy consumption and 36% of our CO2 emissions, and most of the buildings that will exist in 2050 are already built. EuroACE companies, which provide complementary products and services for energy efficient buildings, are therefore convinced that existing buildings deserve a high level of ambition in the EED. In particular, we would like to see measures that will enable Member States to **increase both the rate and the depth** of renovation of their entire building stock, in order to reach a reduction of 80% of its energy demand by 2050.

Including a number of key elements in the EED will make this ambition a reality, namely:

1. **Setting binding sectoral targets for the building sector, so as to reach 80% reduction by 2050**
2. **Requiring Member States to develop tailored roadmaps for renovation, with clear milestones**
3. **Ensuring that public buildings lead the way**
4. **Boosting financial and fiscal measures, including Energy Performance Contracting, to permit work on buildings to begin immediately.**
5. **Removing barriers in building renovation markets**
6. **Energy savings obligations to drive works beyond business as usual**

### **Benefits of deep renovation in a box:**

If the recommendations of EuroACE are taken up, then we can expect the following economic and societal benefits to result by 2050:

- **Up to 1,100,000 jobs each year in the sector with up to 900,000 induced jobs as a result**
- **Up to 13.4% return on investments made**
- **Reduced healthcare costs of up to €42 for every €100 invested**
- **Increased tax receipts of up to €5 for every €1 invested by governments**
- **Saving the equivalent of 4 billions barrels of foreign oil per year**

### **1. Setting binding sectoral targets for the building sector, so as to reach 80% reduction by 2050**

The building sector is characterized by long renovation cycles. At the same time, the vast majority of the buildings that will stand in 2050 are already standing today. This means that the sector also **requires a long term timeframe** when designing related policies. Given the scale of the EU ambition for climate change (90% less GHG emissions by 2050), and the considerable and continued need for our buildings to be heated and cooled, we must develop strong requirements to tap as much of the energy they consume (40% of our energy) and burn (36% of our CO2 emissions). **We therefore support the goal of setting an 80% energy demand reduction by 2050 for the EU building stock.**

**Setting long term goals is also needed to reflect the workload we are talking about.** Indeed, there are about 210 million buildings in Europe, out of which about 190 million need to be renovated before 2050. At current renovation rates it is estimated that it would take more than 100 years to renovate them all. In other words, in the EU, **10 buildings should be renovated every minute until 2050 to meet**

**current GHG targets. Setting a 2050 timeframe will enable the design of coherent, short and mid-term targets according to the overall ambition**, and thus avoid policy actions that risk resulting in a lock-in effect, whereby the potential for energy savings in buildings is lost for 30 years or more.

## **2. Requiring Member States to develop tailored roadmaps for renovation, with clear milestones**

**Member States will be able to reap rapid, concrete results from renovation initiatives if, and only if, these are embedded in long term renovation roadmaps.** Such roadmaps, reflecting the specific nature of each element of the building stock and of each market, will require a close look at the potential of each market segment, clear **milestones for energy improvement targets for 2020, 2030 and 2040**, and a **set of actions**, supported by an adequate legislative and financial support framework.

**Such roadmaps will empower all actors involved**, providing **ownership** to decision-makers initiating such roadmaps and encouraging them to build **synergies** between various policy initiatives. It will boost **consumer and investor confidence** that the priority given to renovation will stay high on the political agenda for decades to come. Last, but not least, it will give all business actors and in particular industry the **confidence to invest in the manufacturing capacity needed** to deliver the targets. It will encourage companies like our members to play a more prominent role in **the education & training challenges** that belong to ambitious renovation programmes

## **3. Ensuring that public buildings lead the way**

**Setting an example is about inspiring and showing the way forward, with the right level of ambition and pragmatism.** Renovating public buildings as a first step will help to demonstrate the possible energy efficiency gains, while boosting synergies between all market actors and helping them to go down the learning curve. It is possible, with current technologies, to reduce the **final energy consumption of a building by 80%**. Such programmes need to start quickly to **deliver savings and free up public money to be invested** in areas of higher added value for the citizens, e.g. education and healthcare.

**Exemplarity requires that both the rate and depth of renovation is ambitious and achievable.** The renovation rate needs to ramp up towards an average of 3% of annual renovated floor space by 2020. However, enough flexibility should be left to Member States for investment planning and for investigating and identifying the **buildings with the highest potential**. This is why we oppose any floor space thresholds (be it 250m<sup>2</sup> or 500m<sup>2</sup>). We should also encourage governments to start improving those buildings when **a renovation is taking place anyway** and consider buildings with the worst energy performance as a priority. Not least, we should ensure that a holistic approach drives such renovation programmes, namely that **buildings are regarded as integrated systems**, including the envelope, heating, cooling and ventilation installations, and control equipment. By doing this, we will go beyond business as usual and **avoid suboptimal renovations**, which risk preventing more substantial energy savings being seized in the long term.

The public sector also needs to lead on **energy efficiency rules for public procurement**, making sure they lease, rent or purchase products, systems, services and buildings with the highest energy efficiency performance.

## **4. Boosting financial and fiscal measures, including Energy Performance Contracting, to permit work on buildings to start immediately**

**The establishment of solid financial mechanisms will help to guarantee that the greater energy saving measures proposed in the EED, such as building renovation, are implemented.** Otherwise,

many of the provisions of the EED will remain wishful thinking. Moreover, given the increased uncertainty and volatility around energy supply, energy prices will only increase in the coming decades. Therefore, **investment in energy efficiency is a safe decision, which should be encouraged and duly accompanied.**

In practice, we believe that there is a need for **aggregating** existing financial sources, **leveraging** existing private capital, and **raising awareness** about the available funding schemes. We would like to encourage the **exchange of best practices** between Member States. For example, in 4 years from 2006-2009, **Germany's State Bank KfW** invested €27 billion of its money alongside another €27 billion of homeowner funds to renovate over 1 million homes and to build 400,000 new highly efficient homes. This programme is credited with the creation, or safeguarding, of 340,000 jobs. This was possible with a total federal government contribution to the equity of KfW of just €6 billion. It should be noted that thanks to higher tax income, these measures brought, within one year, **€5 into federal coffers for every €1 invested.**

Policies to increase the use of Energy Performance Contracting to finance and guarantee energy savings, will also play an important role in unlocking private capital for greater investments in energy efficiency measures in buildings, and also in industrial sectors.

## **5. Removing barriers in building renovation markets**

We are pleased that the draft Directive recognizes the potential of energy services companies (ESCOs) and energy performance contracting (EPC) to drive energy efficiency in Europe's buildings. The measures on public sector renovation and the utility obligation will support the development of ESCOs in Europe. However, the definitions of ESCO and energy performance contracting need to be strengthened. Also, the Directive should encourage the greater use of long-term contracts offering deeper levels of renovation, compared to business as usual where a lot of the savings potential often remains untapped.

Measures to create common standards for measurement and verification will be important for all elements of the Directive, particularly for EPC which involves financial guarantees.

## **6. Energy saving obligations to drive works beyond business as usual**

The proposed obligations scheme in Article 6 can potentially have a beneficial effect on energy efficiency in Europe, and the target should be **as ambitious and long-term focused as possible** to create a stable and predictable market situation. There should also be regular independent reviews on the impacts of this scheme on energy bills and on energy savings to ensure maximum cost-effectiveness.

Utility companies should be obliged to ensure the measures they take will have a meaningful effect on the energy efficiency of buildings and **go beyond business as usual**. The utility companies should be given a **strong incentive to select deep renovations** - quality requirements, including highly progressive crediting for deeper renovations, should be introduced and linked to the supplier obligation, using an expanded Annex V to benchmark quality as well as providing a guideline for developing a progressive credit system for deep renovations. The utility obligation should also be **linked to the public sector renovation obligation** to ensure a coherent strategy. If measures are limited to specific building elements, cost-optimal efficiency levels should be reached.

**For further information:**

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*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 sustainable pattern of energy use in buildings, thereby contributing to Europe's commitments on climate change, energy security and economic growth.*

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