Assessing the level of EU & national funding for energy efficiency

Introduction – a high investment gap in efficient buildings

The Commission estimates that the EU invests €85-90bn in buildings' energy efficiency each year[1]. This is far from what would be needed to meet the EU's -55% GHGs target. The Renovation Wave strategy shows that the total necessary investment, including decarbonising heat in buildings, is €275bn per year to 2035.

I4CE estimates the EU climate investment deficit in the building system, (i.e. the difference between the level of climate-friendly investments happening in the EU in the present; and the total investment needs required annually by 2030 to achieve the EU climate objectives) to be of at least 137 billion euros per year, or 0.9% of EU GDP.[2]

With forecasted total investment needs to 2030 over €3.5 trillion, both EU and national programs for energy efficiency have to be scaled up to reach the EU's climate and energy objectives.

EuroACE's main takes and recommendations:

- **Existing EU Funding for energy efficiency in buildings**
    - Working with financial institutions and ensuring programmes help draw in private finance early is and will become even more important to sustain implementation, avoid stop/start investment and extend delivery beyond 2026
    - Visibility on national-level funding for energy efficiency and renovation measures is limited. More should be done to properly assess public investments in this sector. The design and publication of the National Buildings Renovation Plans in 2025 is the perfect occasion to get a clear picture and link funding streams to specific targets and policy measures.
- **The case for an EU energy efficiency mechanism**
    - Creating a dedicated budget line for energy efficiency to reduce competition for climate financing and provide midterm visibility and stability for the actors involved.
    - Better linking cohesion policy investments to Member State plans to achieve 2030+ targets and to National Building Renovation Plans. Indeed, ex-ante conditionalities linking investments to the meeting of goals under the Energy Performance of Buildings Directive will help the EU to continue its low-carbon transformation and remain competitive.
    - Allowing funding to be directly used to implement national building renovation plans in Member States would also be effective. Indeed, considering NBRPs as a 'programming channel' to which MFF funding can be allocated will ensure a larger umbrella under which various funding strands can be combined, leading to more flexibility and hence a better roll-out of these renovation strategies on the ground.
- **Encourage the emergence of new tools to finance energy renovations**
    - Engage banks and private lenders through portfolio performance requirements
    - Design 0-rate loans suited for people having difficulties to access affordable finance

[1] EC, 2020, Renovation Wave Strategy here

[2] I4CE European Climate investment deficit report 2024

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EU funding for energy efficiency in buildings

Recovery and resilience plans – the risk of a funding cliff

The recovery and resilience plans include significant funding dedicated to energy efficiency. Total estimated investments in energy efficiency in the building stock amount to EUR 65.3 billion (corresponding to 13.4 % of the total expenditures in the plans), out of EUR 72.5 billion investments in energy efficiency overall[3]. A third of it will be invested by Italy, followed by France and Spain. Jointly these three countries represent nearly 60 % of all investments in energy efficiency in buildings. Most of the spending on energy efficient renovations goes to schemes that have the objective to achieve, on average, medium-depth level renovation, which amounts to at least 30 % primary energy savings.

In the context of return to 'gas normality', the need to avoid boom and bust funding patterns linked to subsidies coming and going is more important than ever. Present booms in renovation - for example heat pumps deployment - are constrained by pressures on supply chains, high energy and materials input costs, as well as skills shortages that enable installers to command projects and prices. Skills and labour shortages have been raised as obstacles to delivery in Czechia, Ireland, and Spain. Stable, long-term financing frameworks help businesses to better anticipate future demand and plan accordingly, which helps to alleviate supply-side bottlenecks in skills and materials, driving competition up and renovation costs down.

However, limited budgets dedicated to energy efficiency programs have led to several busts in national energy renovation markets. For example, individual tranches of the Superbonus programme in Italy, whilst achieving a large number of renovations, quickly ran out of funding. Stakeholders in Spain, Slovakia and Ireland have reported programmes, heavily reliant on grants, facing increasing cost pressures as a result of inflation.

The RRF will come to an end in 2026 and might leave many Member States in a difficult position as more is required from them by the Fit for 55 legislative package (Energy Performance of Buildings Directive and Energy Efficiency Directive) while less money is available to reach their objectives. Working with financial institutions and ensuring programmes help draw in private finance early is and will become even more important to sustain implementation, avoid stop/start investment and extend delivery beyond 2026.[4]

National level funding

Visibility on national level funding for energy efficiency and renovation measures is limited. More should be done to properly assess public investments in this sector. The design and publication of the National Buildings Renovation Plans in 2025 is the perfect occasion to get a clear picture and link funding streams to specific targets and policy measures.

Numerous programmes have been announced in recent years to support renovation works:

- MaPrimeRenov' in France,
- Renovation grants in Austria ('Sanierungsscheck'),
- the 'New Green Savings' program in Czechia,
- the Superbonus in Italy,
- Etc…

More information gathered by the European Investment Bank can be found here.

[3] https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/assets/thematic_analysis/scoreboard_thematic_analysis_efficiency.pdf
[4] https://www.renovate-europe.eu/wp-content/uploads/2022/12/NRRP_Progress_Report_2022-12-20.pdf

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Unfortunately, national funding schemes often suffer from numerous shortcomings:

- Complex admin load to access the grant/loan
- Long time to grant delaying decisions
- Lack of long term visibility on budgets
- Inability to target vulnerable households who need support the most

The case for an EU energy efficiency mechanism

A context of macro and micro-level constrains on investments

Higher interest rates, stricter fiscal rules

The Covid and following energy price crises are having a lasting impact on inflation in the EU. This, in turn is leading to rise in the price of energy efficiency solutions and is threatening the construction and renovation sector.

In this context, calls for a lower EU budget and austerity measures are hampering Member States' capacity to borrow and support energy renovations. Lower growth prospects already pushed the French energy Minister to decrease the budget France's main subsidy program for energy renovations by 25%.

The lack of differentiation between 'green' and 'brown'/ business as usual budget lines seriously threatens the achievement of the FF55 and Renovation Wave objectives.

Smaller countries, lower financing capacities

The energy price crisis showed the divergences in financing capacity across the EU27 bloc, with Germany accounting for close to 30% of the subsidies disbursed. Large countries have inherently more financial room for manoeuvre when it comes to investing in their energy renovation markets. This calls for European action to ensure a level playing field and make sure that Member States all get the same chance to achieve their climate and energy targets.

ETSII, a potential hit at citizens' and businesses' wallets?

EuroACE acknowledges that putting a carbon price on heating fuels will send a signal. However, it will not automatically make energy renovation financially more attractive nor technically easier, and risks hurting the most vulnerable consumers who will face higher energy bills. This would also gradually lower the investment capacity of citizens and businesses and fail to address the non-economic barriers of energy renovations.

Several studies have examined the elasticity of putting a carbon price on fossil heating fuels to motivate building owners to energy renovate. The results show an extremely low elasticity with a price in the region of €300 per tonne needed to have a measurable effect on renovation actions. The ETS for buildings is expected to have a limited effect at €45/tCO2.

What role for the next European Commission?

Energy efficiency in the Multiannual Financial Framework

For the next MFF EuroACE recommends:

- Increasing the level of funding dedicated to energy efficiency to palliate for the end of RRF financing.
- Creating a dedicated budget line for energy efficiency to reduce competition for climate financing and provide midterm visibility and stability for the actors involved.
- Better linking cohesion policy investments to Member State plans to achieve 2030+ targets and to National Building Renovation Plans. Indeed, ex ante conditionalities linking investments to the

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meeting of goals under the Energy Performance of Buildings Directive will help the EU to continue its low carbon transformation and remain competitive.

- Allowing funding to be directly used to implement national building renovation plans in Member States would also be effective. Indeed, considering NBRPs as a 'programming channel' to which MFF funding can be allocated will ensure a larger umbrella under which various funding strands can be combined, leading to more flexibility and hence a better roll-out of these renovation strategies on the ground.

The Energy Efficiency Financing Coalition

The European Commission and Member States recently announced the future launch of an "Energy Efficiency Financing Coalition, including national hubs. These hubs should engage with private lenders as well as established local industry and NGO representatives.

The Renovate Europe Campaign national partners stand ready to support this initiative. Their deep knowledge of national market conditions make them natural representatives of the sector.

Finally, representatives of national ministries should be present in at least one national hub meeting per year to present their renovation programmes updates and other useful information.

Unlocking private finance

New financial instruments should be designed to support the transition of old, inefficient buildings over the coming years. In the next decade, European targets focus on the renovation of worst-performing buildings all over Europe.

- Improving the energy performance of financial institutions' portfolios through innovative tools: Under the current review of the EPBD, it is proposed to establish a voluntary framework according to which financial institutions can increase lending volumes for energy renovations and provide support to lenders. Similar to this, the Mortgage Portfolio Standard (MPS) is a tool that can help banks align their portfolios with Taxonomy-compliant activities and fulfil their Green Asset Ratio, as well as manage the climate transition risks they face in their mortgage portfolio. It is a tool with considerable potential as it can funnel more capital into energy-efficient renovations and boost the energy renovation rate. It is a win-win situation for financial institutions since energy-efficient mortgages have lower financial risk[5].
- EU Renovation Loan: European residential buildings are estimated to be worth €17 trillion and house 220 million homeowners. As there are around €7 trillion of mortgages in Europe, there is €10 trillion of home equity against which owners can borrow for the deep renovation and transformation most of these buildings require by 2050.[6] The EU Renovation Loan could unlock these savings. It would take the shape of long-term (30 year) financing with a zero-coupon structure:
  - Homeowners borrow the amount they require to transform their home through a deep renovation.
  - They do not have to pay cash interest and it accrues until the property is sold or transferred (or the loan matures in 30 years).

[5] EEFIG. Final Report on Risk Assessment. 2022.

[6] Climate Strategy and Partners - The European Renovation Loan: An innovative financial instrument to Repower EU, 2022

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EU Renovation Loans could be offered to underserved families and backed by an EU guarantee. Their interest would accrue at EU borrowing costs (plus a small spread) and be distributed through mortgage lenders alongside top-up or commercial mortgages.

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About EuroACE – Energy Efficient Buildings
EuroACE represents Europe's leading companies involved with the manufacture, distribution and installation of energy saving goods and services for buildings. EuroACE members employ more than 280,000 people in these activities in Europe and have over 1,100 production facilities and office locations. 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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