Consultation Response

Brussels, 02 July 2010


“Secure, sustainable, affordable: The role of Buildings in EU’s energy of the future”

1) Executive Summary

Eurima welcomes the Commission’s approach to ensure a safe, secure, sustainable and affordable energy system for all.

We consider that the building insulation sector has much to contribute towards this aim. Indeed, energy efficiency in general and energy efficiency in buildings in particular is an essential means for meeting the EU energy challenges in the short, medium and long term:

- **Security**: The European Union currently imports 50% of its energy and estimates indicate that this will rise to 70% in the next two decades if no further action is taken. Buildings are currently responsible for 40% of the total final energy use in the EU, and a drastic reduction of the energy demand of over 200 million EU buildings is an obvious step in the right direction.

- **Sustainability**: The EU climate action commitments for 2020 and 2050 require a significant reduction of greenhouse gas emissions. Buildings are responsible for 36% of our CO₂ emissions, and it has been demonstrated¹ that these can be easily reduced with cost-effective and available actions, such as correct insulation. The 2010-2020 decennium will be crucial if we want to start tackling the potential of the building sector.

- **Affordability**: Insulation can help households to deal with the burden of the increasingly volatile energy prices, while contributing to the economic recovery by the creation of thousands of green jobs. In addition, it is an effective means to address energy poverty, an increasing source of concern.

Taking this into account, Eurima welcomes the various explicit mentions in the Commission’s stock-taking document regarding the potential of energy savings for the above-mentioned objectives. However, we regret to see how little is said about energy efficiency in general -and energy efficiency in buildings in particular- in the “issues for consideration” for the short and long term in the Commission’s document subject to this consultation.

Eurima believes that -in order to be consequent with the opportunities identified- an ambitious EU policy on buildings should be an integrated part of the EU energy strategy. More specifically, it is imperative that the EU addresses existing buildings as the ‘low hanging fruit’ that will be used to meet the EU targets on climate change, security of energy supply, economic recovery and social welfare.

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¹ “Almost a quarter of possible emissions reductions would result from measures (such as better insulation in buildings) that carry no net life cycle cost - in effect, they come free of charge” - A Cost curve for greenhouse gas reduction, McKinsey report 2007
Although some progress has been made in the sector of buildings in recent times (EPBD recast), we are still far from having unlocked the potential in this direction. Eurima therefore asks the Commission to integrate in its Energy Strategy for the next decade the following elements:

- **A strong focus on the deep refurbishment of existing buildings**, increasing both the quantity (renovation rate) and quality (depth) of building renovations;
- A coherent and comprehensive **financing strategy for promoting energy efficiency in those sectors with the highest potential**, by providing progressive incentives for going beyond the minimum standards required and linking structural funds to energy efficiency criteria;
- Effective measures to **ensure implementation and compliance of energy-efficiency related legislation** in Member States, through stricter enforcement and scrutiny, and adopting additional legal measures as necessary;
- A scheme for the promotion of education and training and **information sharing**, between Member States and other stakeholders regarding energy efficiency initiatives, funding opportunities and best practices, transforming also the general public into an "energy efficiency culture".
- **Binding targets for Energy Efficiency**: The 2011-2020 Energy Strategy shall explicitly recognise the need to realize 20% energy savings by 2020. For this purpose, sector-specific targets for -inter alia- increased energy efficiency in buildings should be set at national level. These should be accompanied by specific requirements to develop the institutional, educational, fiscal, financial and other frameworks necessary to meet these targets.

II) Eurima’s comments on the Commission’s stock-taking document

1. **Key issues for the new energy strategy**

   1. **Implementing existing measures**-

   Eurima strongly supports the Commission’s call for a strong focus on implementing agreed policies, including energy efficiency policy, as well as set out in the 2006 Energy Efficiency Action Plan.

   We agree that future measures will not be credible if the existing legislation is not fully implemented. This is why we call on the Commission to put all its efforts into encouraging Member States to carry out an effective and ambitious implementation of the existing legislation, and -when necessary- to take stricter legal action for ensuring that the non-compliant authorities and stakeholders fulfil their obligations.

   2. **while not loosing the long-term sight towards a decarbonised economy**

   The Commission also identifies as a key issue the full integration of the short-term actions in the longer term perspective. Eurima agrees that the decarbonisation of energy in the economy and the 2050 objective of 80-95% reduction in greenhouse gas emissions should be a reference to be born in mind when drafting today’s strategies.

   **How to get there? EU building renovation initiative**

   Existing buildings are, by far, the biggest energy waster in the EU (responsible of more than 40% of final energy use) and one of the biggest polluters (responsible for 36% of CO2 emissions). Therefore, action to improve the energy and environmental performance of these buildings should be a priority in the path for a decarbonised energy.
Issues for consideration in the short-term: Adoption of an ambitious building renovation initiative

Eurima believes that the immediate adoption of a strong EU building renovation initiative would be essential for making today’s policies compatible with the longer-term decarbonisation objective. For instance, we estimate that the reduction of as much as 80% of the energy used in the EU building stock by 2050 would need at least a yearly 3% rate of deep renovations (80% improvement on average) at EU level, starting today.

This is not an easy task, but can be reached with current technology and in cost-optimal conditions, by the establishment of yearly building renovation targets and policy pathways at Member State level.

A strong policy for deep renovations would mean a dramatic increase both in the quantity (renovation rate at EU level, currently around 1%, could be tripled) and quality of building renovations (energy efficiency improvements in each renovation should increase from the current 20% to 60-90%).

Having in sight the longer-term decarbonisation objective, the Commission correctly warns in this stock-taking document about the danger of avoiding locking-in possible technological breakthroughs that might arise in the future. We believe that, if this is true, special attention should also be given to avoid the current locking-in of existing savings potentials in the 30-year renovation cycle, as well as existing and often obsolete technology.

For instance, every time that a building in Europe undergoes a sub-optimal renovation in energy efficiency terms, a substantial unrealised energy saving potential is locked in for a very long period (about 30 years before the building is re-visited and renovated again).

2. Priority areas for the future strategy

1. Modern integrated (smart) grids - supplying smart energy

Addressing the priority areas for the future strategy, the Commission stresses that fully integrated and interlinked grids which are able to be fed by various energy sources (including renewables) are essential to satisfy Europe’s energy demand.

Eurima believes the smartest grid is the one supplying energy that will not be wasted. A significant reduction of the energy demand would make EU-wide grids easier to manage. Therefore, we believe that greater emphasis should be put in the drastic reduction of energy demand in our building stock, before a major and over-dimensioned grid is designed and constructed.

Buildings and the energy they consume and do not consume shall be recognized as an integral part of the energy infrastructure, as much in fact as the grid itself. Diversification of the energy mix will not be achieved by smart grids acting alone. We need also to ensure that we take into account the expected fast-paced development of the very low-energy building stock.

2. Making progress towards a low-carbon energy system

We agree with the Commission in the need for various instruments in order to prepare the swift movement towards a low-carbon energy system. Indeed, there is no such a thing as a single magic solution, and emphasis should be put into reducing emissions, reducing energy needs and using carbon-free energy.

Eurima believes that the EU should concentrate on the sectors that offer more potential for reaching the final target. This is why we welcome the dialogue that the Commission is undertaking with Member States -within the Europe 2020 strategy- on how to determine national targets for energy efficiency, and the intention to use additional instruments to support the legislation on, for instance, buildings.
Eurima believes that, as it has been demonstrated in other sectors, binding targets are essential if the EU wants to reach the 2020 objective of 20% energy savings.

**Issues for consideration for the short-term: Binding energy efficiency targets**

Eurima believes that the EU Energy Strategy 2011-2020 must recognise the need for reaching the EU 20% energy savings target, and that this target should be made compulsory.

Eurima also supports the establishment of sector-specific targets: the Commission’s framework for calculating cost-optimal levels of minimum energy performance levels in existing buildings should lead to mandatory requirements in Member States, ensuring that all cost-effective savings can be made. These could include obligations on Member States to address the lack of energy efficiency improvements in buildings renovations, such as requirements for the replacement of components of buildings. In the case of major (cyclical) renovations, a more holistic approach would usually be the preferred option.

The building sector is currently not operating close to least life cycle cost level and realising its energy savings potential would mean that in 2020 the EU would consume 11% less final energy overall.

The Commission also acknowledges that billions of Euros will need to be invested on—among others—energy efficiency improvements. Eurima believes that strong funding mechanisms promoting energy efficiency are essential.

**Issues for consideration for the short-term: A new energy-efficient orientation for EU funding**

Action from the EU in this field should include:

- Directing a higher proportion of funds directly to energy efficiency (EU recovery plan, ETS revenue spend, Structural Funds and other routes), preferably in the form of national energy efficiency funds open to qualified bidders to implement measures
- Linking Structural Funds to energy efficiency criteria;
- Addressing also the non-financial barriers to energy efficiency in buildings;
- Creating progressive loan schemes to assist in the uptake of increased levels of energy efficient measures, especially for buildings where upfront costs can be high for deeper renovations;
- Identifying new proposals to bridge the gap between large grants as provided via the Structural Funds and EIB loans and the small investments typically required in many energy efficiency projects.
- The provision of independent and objective technical and financial advice to ensure optimal access to available funding and financing, as well as to best available technologies

In addition, Eurima welcomes the Commission’s intention to further develop the “smart cities” initiative to promote clean and energy-efficient investments.

3. **Protecting the EU citizens**

We fully agree with the Commission’s stock-taking document that the days of cheap energy are definitely over. This is why we believe that the EU should put emphasis on those policies that would allow affordable energy bills and avoid—by minimising energy use—that future price flows affect significantly the citizens’ economy.

On the other hand, Eurima also shares the Commission’s view that transition to a low-carbon economy and energy system should lead to new employment opportunities. The creation of European green jobs should be a priority for promoting the economic recovery, while keeping in mind our sustainability targets.
How to get there? Job creation, affordable energy bills, energy efficient culture through training and education

Eurima estimates that boosting energy performance in the EU building stock could lead to the creation of 530,000 green European jobs.

We believe that the development of skills and competence is an essential element for a stable European energy workforce. Indeed, the training of all actors of the building chain and the education of the general public should be one of the key measures of the EU building policy.

Eurima encourages the Commission to take an ambitious line regarding the promotion of an “energy efficiency culture” in the EU.

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<th>Issues for consideration for the short-term:</th>
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<td>- Setting up an information-sharing network to inform Member States, regions and local authorities of the type of energy efficiency schemes that are most effective, the funding available and to encourage the sharing of best practice. This should ideally be the responsibility of independent, impartial agencies or bodies.</td>
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<td>- Requiring energy suppliers and retailers -for instance by recasting the Energy Services Directive- to provide the information on energy use to impartial third parties who will be given the task to keep consumers up to date with the latest energy efficiency requirements and other energy efficiency topics agreed by the European Union or in the Member State relevant to the consumer.</td>
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<td>- Preparing a communications initiative highlighting to Member States the available funding mechanisms for energy efficiency investment and how they should be accessed.</td>
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<td>- Codifying and standardising the measurement of energy savings at EU level.</td>
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4. Conclusion

To conclude, Eurima notes the Commission claim that one of the key components of this Strategy is to exploit the full potential of energy savings. We believe, however, that buildings are a key and essential part of this potential, but they are not sufficiently taken into account in the proposed measures for the short term.

Therefore we call on the Commission to integrate in its strategy the issues for consideration that we have set out in this contribution.