Position Paper

Call for Binding and Meaningful Energy Savings Target for 2030

Key principles for target-setting

The European Commission is currently debating on post-2020 climate and energy policies, with the aim of adopting -by end 2013- a Communication, possibly followed by specific proposals for legislation. Eurima[1] is calling for a binding EU energy savings target for 2030 as a key element in this discussion.

A binding and meaningful 2030 target for energy savings - within a coordinated framework of mutually reinforcing policies and legislation- is an important milestone toward achieving the EU's ambitions for de-carbonisation and sustainable economic growth by 2050.

We urge the European Commission to consider the following key principles when making its decisions on the EU's next climate and energy strategy over the coming months:

- **Towards 2050:** The 2030 target for energy savings should not be looked at in isolation. The target should be seen as an important intermediate step in delivering the EU's strategy for 2050, providing a clear vision and investment security for companies and other stakeholders, and ensuring coherence with existing Climate & Energy objectives and with long-term Roadmaps[2].

- **Avoid "policy cannibalism":** The 2030 target must be set within a coordinated and consistent framework of mutually reinforcing policies and legislation aimed at delivering sustainable competitive growth in the longer term. From this perspective, a pure "10-years-after-2020" approach would be too short-sighted a strategy that would risk perpetuating the current policy interference and incompatibilities between targets and measures.

- **Maximising potentials:** The 2030 energy savings target must be based on the identification of the main contributing sectors of the EU economy (Buildings, Transport, Energy Transformation, Industry) and assessment of their maximum individual cost-effective savings potential in the context of the overall target.

- **Focus on building renovation:** Building renovations have by far the biggest cost-effective energy savings and emissions reduction potential of any sector in the EU. Many studies have confirmed that reducing the energy demand of the EU building stock by 80% by 2050 is possible with currently available technologies. Long-term strategies for a deep renovation of the building stock must therefore be at the heart of any future climate and energy strategy.

[1] Eurima is the European Insulation Manufacturers Association, representing all major mineral wool insulation producers throughout Europe
[2] Roadmap for a Low Carbon Economy, Roadmap Energy 2050, Strategy for Resource Efficiency 2050, etc.

Energy savings target: A key stepping stone for immediate growth and long-term sustainability

The EU is currently facing an economic, social and environmental crisis that requires an **immediate emphasis on competitiveness, economic growth and job creation** while not losing sight of our long-term sustainability objectives. A meaningful binding energy savings target for 2030 would tick all these boxes.

- **Good for the economy:** Energy savings would immediately reduce the EU's energy imports, thereby providing extensive macro-economic savings. In addition, public finances would benefit from lower energy demand: research has demonstrated that investing in activities such as building refurbishment can bring vast immediate benefits for public budgets[3].

- **Good for business:** Energy savings would keep energy prices and costs (key elements for maintaining the global competitiveness of European businesses) at reasonable levels. In addition, the strong development of EU energy saving technologies would put the European energy-efficiency industry in a frontrunner position in this area.

- **Good for employment:** Energy-saving-related activities have the potential to put back to work millions of EU citizens, especially in those sectors having suffered most during the crisis. The best example is the German KfW scheme for building refurbishent, which in 2010 created or safeguarded -only in Germany- some 340,000 jobs[4].

- **Good for the environment:** If the EU is serious about reaching its 2050 climate goals (85% less overall CO_2 emissions, 88-91% lower emissions from the residential sector), ambitious action must start now and be maintained thoughout the process, to 2030 and beyond.

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[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 €
[4] Impact on public budgets of KfW promotional programmes in the field of 'Energy-efficient building and rehabilitation'", KfW, 2011

Explanatory Memorandum

Long-term target-setting: Why 2050 and intermediate targets?

The 2050 approach is fully coherent with the most important recent initiatives for EU strategic policy-planning: the Roadmap for moving to a low-carbon economy in 2050, the EU Energy Roadmap 2050, the Roadmap to a Resource Efficient Europe 2050, etc.

In the case of buildings, having a long-term horizon is a pre-requisite: contrary to many other sectors, the building sector is quite predictable[5], and research has demonstrated[6] that an overall target of 80% energy savings in the EU building stock by 2050 is the most cost-effective way to reduce CO_2 emissions, create jobs and re-launch the EU economy. **A 2050 perspective for energy savings in the EU building stock would allow us to:**

- **Establish the right priorities for policy-making:** A long-term objective for energy savings in the EU building stock will ensure that priority is given to the most cost-effective reduction of energy demand before looking at the most sustainable ways of energy supply (renewable energy and optimisation of clean fossil fuels).
- **Seizing the chances to make the right choice:** The average building's renovation cycle is approximately 30 -40 years. This means that all buildings currently existing in the EU will be renovated in one way or another at least once between now and 2050. But building renovation can be costly and disturbing for its inhabitants: therefore, it is logical that, once we undertake a refurbishment, we do it right. Using these renovation-moments in a wise way to focus on an overall energy consumption reduction is technically feasible, economically sensible and socially desirable.
- **Avoiding wasted money, wasted savings, wasted jobs:** A strong target will ensure that the EU building stock as a whole will reduce its energy use to sustainable levels. For this purpose, it is essential to avoid 'skimming building renovations', which -although 'cheaper' in the short term- will indeed lock-in significant potential savings for the future.

  These "shallow renovations" will not only be damaging from an environmental and economic perspective, but also from a social one, as they do not tap the full potential for job creation and for boosting economic activity.

This approach is fully supported by recently adopted EU initiatives:

- First, the Roadmap to a Low Carbon 2050 establishes a target for reducing CO_2 emissions from the building sector by 88-91% in 2050.
- Secondly, the Energy Efficiency Directive establishes the obligation for Member States to draw up long-term strategies for the renovation of their building stock, including policies and measures for cost-effective deep renovations of buildings. Combined with the long-term target established by the Low-Carbon Roadmap, this call for strategic planning is very much in line with the need for seizing the available opprotunities and not locking-in potential savings.

Once a long-term target is set, back-casting and intermediate targets will guarantee that the path is being properly addressed, allowing actors to adapt without losing sight of the final aims. An overall 2050 energy savings target must be coupled to intermediate targets for 2030 and 2040 (understood as "milestones" allowing measurement of progress to achieve it) set within the National Energy Efficiency Action Plans. Intermediate goals will also allow market actors to adapt to the needed transformation, and to the progressive development of "learning curves".

[5] The European Commission estimates that 75% of the building stock from 2005 will still be there in 2050
[6] Renovation tracks for Europe up to 2050, Ecofys, Cologne, June 2012

Sectorial assessment: Why focus on buildings?

EU policy-making must ensure a growth path which is environmentally sustainable, but also economically viable and socially equitable. When setting targets, the EU has traditionally focused on the environmental pillar of sustainable development (the 20-20-20 targets, set in 2007, aimed mainly at de-carbonisation). This has been a consequence of the much compelling need to fight climate change, which is one of the biggest threats that the EU -and the world as a whole- will be facing in the decades to come.

But since 2007, many things have changed. Without diminishing the urgency of the environmental crisis, the more recent context of economic crunch and growing social concerns have taught future policy-making must give equal attention to all of the three pillars of sustainable development.

In this respect, energy savings -in particular in the building stock- is the closest we can get to a "silver bullet" capable of addressing people, planet and profit at the same time in the most cost-effective manner:

- **On the economic side**: Taking into account that EU energy imports amounted to 400 billion € only in 2011 and that buildings use 40% of the EU's energy, the potential of building refurbishment for immediate wide macro-economic savings cannot be ignored. In addition, research has demonstrated that investing in building refurbishment can bring vast immediate benefits for public finances, as a result of quick job creation.

  At micro-economic level, cutting energy spending in EU homes brings wide savings to the end consumer (the European Commission estimates that energy efficiency in buildings could save 600 € per household by 2020[7]) and addresses energy poverty (between 50 and 125 million people in Europe are currently estimated to be fuel poor[8]).
- **On the social side**: The construction sector generates almost 10% of the EU's GDP and provides 20 million jobs, mainly in micro and small enterprises[9]. The crisis has badly affected this sector, and the economic activity generated by a supportive EU regulatory framework and Roadmaps for building refurbishment has the potential to put back to work millions of EU citizens.
- **On the environmental side**: buildings are the source of 36% of the EU's CO_2 emissions. If the EU is serious about its target of reducing these emissions by 88-91% by 2050, it must take ambitious action immediately.

For these reasons, Eurima believes that energy savings in the building sector must be a cornerstone of the EU's competitiveness and smart-sustainable-inclusive growth policy.

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[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
[9] "Strategy for the sustainable competitiveness of the construction sector and its enterprises", European Commission, COM(2012) 433