

Putting energy efficiency at the core of Europe's plans to achieve energy independence

SHORT-TERM ACTIONS

- Offer tailored renovation advice and financial support for carrying out deep renovations to all vulnerable households in receipt of short-term compensation for high energy prices;
- Roll-out large-scale energy performance mapping of the building stock supported by public and commercial One-Stop-Shops and Renovation Passports to ensure that mapping is followed-up with renovation activities;
- Launch a campaign and support programme to insulate roofs and attics of EU homes by next winter;
- Ensure that building owners have access to government-backed 0% loans for renovation and introduce Mortgage Portfolio Standards;
- Establish a dedicated programme to promote cost-effective industrial insulation;
- Reduce VAT rates for energy-efficiency products and installation services, including for insulation;
- Reassess what long-term EU funding instruments can be used to support the roll-out of national/regional training and certification schemes;
- Work with Member States and industry to upscale the EU's insulation supply chain and upskill the renovation workforce;

MID-TERM ACTIONS

- Upgrade the EPBD proposal on MEPS to ensure that non-residential and public worst performing buildings (class F & G) reach energy performance class C by 2030, and all worst performing buildings meet this requirement by 2035;
- Establish national programmes driving building renovation to at least class C and clearly promoting deep renovation via attractive grants; Renovation programmes should cover the full cost of deep renovation for low-income households; Revenues generated by ETS-2 for buildings should be used to financially support such programmes;
- Increase the EU 2030 target for energy efficiency and ensure a swift implementation of an annual 3% renovation rate of the total floor area of all public buildings, including social housing;
- Supplement National Building Renovation Plans (formerly long-term renovation strategies) with concrete policies and progress indicators to deliver a sufficient number of training programs and certification schemes for construction sector professionals.

Introduction

On 8th March, the European Commission proposed an outline of a REPowerEU plan that would drastically reduce the EU's dependence on Russian fossil fuels.

REPowerEU contains ambitious measures to diversify energy supplies and bolster domestic production of renewables. However, the communication does not address how Europe's energy efficiency policies will be upgraded to match this new reality. Without significantly increasing EU ambition on reducing energy demand, citizens and businesses will face ever-increasing energy prices and continue to experience the damaging effects of energy dependency on foreign fossil fuel suppliers. While short-term compensation via tax reductions or regulated pricing can limit the social impact of high energy prices, it also risks setting the wrong incentives for energy users and producers, thereby perpetuating a status-quo in which EU energy reliance on foreign suppliers continues to grow.

EURIMA already in 2014 commissioned research which showed that energy efficiency – and deep renovation in particular – is the most impactful tool for reducing EU dependence on fossil fuel imports. Since then, energy imports and energy prices have only risen, increasing the cost-effectiveness of energy efficiency solutions even further. One recent study finds that the equivalent of 25% (or 1.45 EJ) of the EU's current fossil gas imports from Russia (~5.5 EJ in 2020) can be saved by 2030 through renovating and electrifying Europe's residential buildings.

Strengthening Fit-For-55

The Commission's communication on REPowerEU calls on the co-legislators to consider how the Fit-For-55 Package can be strengthened in light of the urgent need to address energy affordability and energy security. The recast Energy Performance of Buildings Directive (EPBD) includes a number of provisions with great potential to tackle both of these issues.

Most notably, the recast EPBD introduces minimum energy performance standards to address the worst performing buildings (energy performance class F & G buildings). If implemented, this would affect over 40 million buildings across the EU. However, the proposal only requires that the worst performing buildings undergo a shallow renovation to reach an energy performance class E by 2033. This would mean that buildings undergoing renovations triggered by MEPS would not be ready to switch from fossil fuels to low-carbon heating solutions, as the cost-optimality of technologies like heat pumps is closely correlated with the energy performance of the building envelope.



By upgrading the EPBD proposal so that all worst performing buildings reach at least **EPC Class C by 2035**, the co-legislators would ensure that tens of millions of additional homes are ready to switch to low-carbon heating systems. Certain buildings segments – such as public buildings and non-residential buildings – are well positioned to act as front-runners and should be required to achieve at least EPC Class C by 2030.

A higher level of ambition on MEPS must be accompanied with a stronger **long-term supporting framework for renovation**, providing increased financial, administrative and technical assistance for building owners. Financial incentives should provide proportionately greater support for reaching higher energy classes with additional, attractive grants for deep renovation. These are just some of the impactful ways to upgrade the Fit-For-55 Package to deliver a greater reduction of energy demand in a shorter time-frame. More can be done in both the Energy Efficiency Directive (EED) and the proposed ETS-2 for buildings.

The European Parliament's Rapporteur for the EED has already proposed to set a **higher 2030 energy efficiency target**. Meanwhile, MEPs from across the political spectrum have sought to ensure that revenues from ETS-2 are spent to protect the most vulnerable households from rising energy costs, including through building renovation. REPowerEU should give guidance for lawmakers seeking to strengthen the Fit-For-55 Package by providing clear data that demonstrates the enormous potential of energy efficiency to deliver both on energy affordability and energy security.

19%

MEP FUGLSANG SUGGESTS
RAISING THE EU 2030 ENERGY
EFFICIENCY TARGET TO 19%,
UP FROM THE COMMISSION'S
PROPOSAL OF 9%

Implementation of the Fit-For-55 Package will require close cooperation amongst different government departments, especially on cross-cutting issues like energy efficiency and energy security. The Commission should lead by example and set up a dedicated task force to align the work of relevant directorates-general dealing with energy demand and supply policies, as well as funding and reform. This will be particularly useful for coordinating administrative and technical support that can be provided to Member States struggling with the implementation of their **National Recovery and Resilience Plans**. Swift implementation of these plans will ensure that shovel-ready projects yield results in the 18-month horizon.

New energy efficiency initiatives



In addition to revising Fit-For-55 legislation, the Commission should propose standalone initiatives that will help to immediately kick-start implementation of energy saving measures. Households with the means to renovate are often held back by the lack of information and lack of expertise in managing a renovation project. **Rapid roll-out of Renovation Passports as well as public and commercial One-Stop-Shops** would help address this by providing each building owner with a plan to reduce their individual energy dependence, and the expert advice needed to achieve this.

Low-income households, who are widely understood to have low price elasticity when it comes to renovation, must be supported with **technical assistance and subsidies** covering the vast majority, if not all, costs associated with a renovation, similar to the way this has been done in Italy via the SuperEcobonus scheme. The Commission should coordinate the establishment of such schemes all across Europe to ensure that no citizen is left behind in the race away from fossil fuels. National measures that provide short-term compensation for vulnerable households affected by high energy prices should be coupled with programmes that provide active, long-term support for deep renovations. Dedicated renovation schemes should be designed for renovating the worst performing buildings heated by oil, gas and coal. As most Member States currently do not operate large-scale programmes promoting deep renovation, technical assistance from the European Commission and best-practice sharing with other Member States is needed to fast-track the development of such schemes.

Given the size of the energy efficiency investment gap, it is clear that most households will have to renovate at least partially at their own expense. The Commission should work with Member States and financial institutions to ensure that building owners have access to **government-backed 0% loans** for renovating their homes. Most EU building owners already have an established relationship with their lender, which makes financial institutions uniquely well positioned to scale-up financing for renovation. Mortgage Portfolio Standards should be introduced to create an appropriate incentive structure for financial institutions.

In the short-term, Member States should focus on the low-hanging fruit, like **insulating roofs and attics**, which is a relatively simple measure from a technical standpoint, and delivers energy savings with minimal investment cost and disturbance to the building occupier. BPIE have calculated that deep insulation (20cm) of roofs and attics in residential buildings would result in a 14% reduction of energy used for heating homes in the EU.

Member States can further incentivise renovation by **aligning taxes and fiscal policies** with the Energy Efficiency First Principle. Currently, many EU countries apply a reduced rate of VAT to energy consumption, but not products delivering energy savings. Addressing this imbalance would be a quick solution and would send the right signal to building owners who are weighing up their options for dealing with rising energy costs.

The cost-effective energy efficiency potential of **industrial insulation** accounts for 620 PJ. The Commission should work with Member States and the relevant sectors to promote a rapid roll-out of industrial insulation across Europe's energy-intensive industries. Not only would this improve Europe's energy security, but it would shield those same businesses from loss of competitiveness caused by higher energy prices. To pull forward such measures and make an impact in the 18-month horizon, Member States could introduce a one-off tax reduction for businesses that invest in industrial insulation.



**620 PJ
EXCEEDS
THE ANNUAL
INDUSTRIAL
ENERGY
CONSUMPTION
OF THE
NETHERLANDS**

Upscaling the EU construction industry



If policy makers deliver this much needed boost to the EU renovation market, industry will need to adapt to higher demand for energy efficiency solutions. Europe's mineral wool insulation manufacturers stand ready to work with policy makers to upscale the EU's insulation supply chain. Early action is imperative, as the economics of our industry dictate that products are manufactured close to the end-user, meaning that any gap between demand and supply cannot be easily filled by imports.

Policy makers can support the EU's insulation supply chain by establishing a **clear regulatory framework** that ensures sustainable, stable demand for energy efficiency solutions, which in turn reduces investment risks in industries like ours. A higher, binding 2030 energy efficiency target, more ambitious minimum energy performance standards, and more robust national building renovation plans are all needed to achieve this.

As an energy-intensive sector, Europe's mineral wool insulation industry has worked to couple growth in manufacturing volumes with a reduction in the carbon footprint of our products by electrifying our manufacturing processes, amongst other measures. This means that our sector, like all heavy industries seeking to decarbonise, is reliant on the **availability of affordable, low-carbon electricity**. Without a drastic reduction in energy demand, the EU's supply-side-focused plans could exacerbate the already challenging environment that Europe's energy-intensive industries operate in. Conversely, a strong energy efficiency pillar in REPowerEU would ensure that EU industry can continue to compete and grow, whilst simultaneously reducing its carbon footprint.

Mobilising and upskilling the workforce

Upscaling the EU renovation market goes hand-in-hand with upskilling the workforce. As the average depth of renovations increases, it becomes even more important to ensure the availability of **training and certification programmes**, as insufficient numbers of qualified professionals in the renovation sector lead to poor workmanship, thereby reducing energy savings attained and generating risks of carbon lock-in. Here again, both hard legislation and soft tools have a role to play. The EPBD should require that Member States ensure that a sufficient number of high-quality training programs and certification schemes are made available, corresponding to the projected rise in demand for construction sector professionals.



Appropriate progress indicators for expanding training and certification programmes should be outlined in **National Building Renovation Plans**. In parallel, the Commission should reassess what long-term EU funding instruments can be used to support the roll-out of training and certification schemes. In the short-term, Member States can already leverage Recovery and Resilience Funds to provide construction workers with the training needed to implement simple but effective solutions, like roof and attic insulation.