EuroACE
THE EUROPEAN ALLIANCE OF COMPANIES FOR ENERGY EFFICIENCY IN BUILDINGS

EuroACE Preliminary Comments on the European Energy Union Concept

Brussels January 2015 ***Final***

EuroACE strongly believes that the European Energy Union Concept should place energy efficiency as its central element. Ambitious action on energy efficiency is the most secure, low cost way of facilitating the rapid creation of a true European Energy Union.

Work on existing buildings in the Energy Efficiency Sector is essential and can rapidly bring benefits to the EU because:

- Buildings consume about 40% of all energy produced in the EU, emitting about 36% of carbon in the process;
- The technologies that need to be deployed to reduce that consumption by 80% are already available in the market today;
- **Capturing the full potential in the buildings sector could reduce overall energy demand by a full 32%**, taking the strain off many other elements of the energy system in the EU.

Why focus on Energy Efficiency in Buildings in the Energy Union?

1. **Reducing energy waste, particularly in buildings, is the most cost-effective way to reduce import dependency[1] and the burden this represents for our industries and citizens.** In order for the Energy Union to be sustainable, it has to be built on solid ground. The current trade imbalance, mostly caused by energy imports, has had a detrimental impact on EU growth and has slowed economic recovery. The analysis from the Communication on energy efficiency that was issued in July 2014 shows impressive potentials to reduce gas dependency, cut emissions and increase employment by reducing energy demand through energy efficiency (especially with an energy efficiency target that is more than 30%).
2. **Lowering energy consumption in the building sector is the most sustainable way to address security of supply**. A recent Study[2] by the Fraunhofer Institute has shown that the cost-effective potential for energy efficiency in the EU is a 40% reduction by 2030. The same Study shows that the savings potential in the buildings sector by 2030 is 54%. In addition, it has been shown that such action will bring multiple benefits[3] for the EU economy and EU citizens such as more jobs, economic growth and increased well-being. The profitability of ambitious renovation programmes should thus be compared on an equal footing with supply options, integrating all externalities (environmental, economic, and societal). In fact, ambitious renovation of buildings can, more quickly and with greater certainty, respond to the current EU energy security crisis.
3. **At a time when public budgets are under pressure,** when public policy making should become more focussed and streamlined on relevant and "big" issues, **prioritising energy efficiency will meet the expectations of EU citizens who are looking at the EU to develop an energy strategy that is fully compatible and consistent with the other EU goals, at least in three respects:**
    a. **Energy**: According to a recent Eurobarometer survey, EU citizens expect clear goals and ambitious action on energy efficiency. They recognise the need to take a societal perspective and expect guidance and support from policy-makers on how to contribute. At individual level citizens and business see what energy efficiency can bring in terms of comfort, enhanced well-being and productivity. Rather than developing or prolonging new large scale energy generation and pipeline projects, it is high time that the EU takes a holistic view of its energy system, and gives a clear priority to what can reduce energy waste at the source, namely renovation of buildings, which in addition to enabling highly energy efficient homes and cheaper-to-run offices, makes people more healthy and more productive.
    b. **Climate and Energy**: A solid EU framework for energy and climate needs to have energy efficiency at its core, and if buildings are to play their role the sector should be equipped with a solid strategy supported by long-term goals, i.e. an 80% reduction of energy demand by 2050. This position,

[1] See **EuroACE Infographic** on the issue here: http://www.euroace.org/LinkClick.aspx?fileticket=-HU30wqX1ao%3d&tabid=40
[2] See: **Fraunhofer ISI:** http://energycoalition.eu/sites/default/files/Fraunhofer%20ISI_ReferenceTargetSystemReport.pdf
[3] See: **Copenhagen Economics** the Multiple Benefits of Investing in the Energy Efficient Renovation of Buildings (2012): http://www.renovate-europe.eu/Multiple-Benefits-Study

consistently promoted by EuroACE, has been repeatedly advocated by the European Parliament in its resolutions on the Energy Roadmap 2050 and on the Climate and Energy Framework for 2030. Both documents refer to the established[4] cost-effective potential of a 40% improvement in energy efficiency by 2030, provided the sectoral potentials are realised (54% in buildings according to the same study).

c. **Jobs and growth:** the construction sector, which will be most involved in energy efficiency programmes for buildings, is one of the most job intensive sectors. Analysis[5] has shown that investments in energy efficient renovation of buildings provide an average of 19 jobs per €1m invested. This compares very favourably with jobs created by investments in supply side options where the average is less than 4 jobs per €1m invested. As a result the Energy Union concept should carefully assess what policy framework has the potential to deliver the best value for money in the future.

4. **The call by President Juncker for a 30% binding energy efficiency target as a minimum reflects a better understanding of the huge benefits and co-benefits of energy efficiency that we believe should find its place in the Energy Union concept**. Two thirds of the EU member states supported a binding target of 30% or more during the Council discussions on the 2030 Climate and Energy Package in the autumn of 2014. It looks likely that the Commission will be able to increase the ambition of the 2030 target in the review that it must undertake before 2020, but only if energy efficiency stays high on the political agenda. EuroACE believes that including the idea that energy efficiency comes first in the Energy Union concept will ensure that EU member states remain interested.

How to embed Energy Efficiency in Buildings in the Energy Union Concept?

It is proposed that the Commission **integrates the 'energy efficiency first' or 'savings test'[6] idea into the Energy Union Concept**. The 'savings test' idea proposes that all energy infrastructure projects be subjected to an evaluation before they are approved. The evaluation would assess whether or not the same outcome for the project can be achieved by the implementation of energy efficiency and demand response measures. If the evaluation is positive, then the funding goes to the energy efficiency and demand response measures and not to the infrastructure project. The 'energy efficiency first' or 'savings test' idea has the added benefit of being a novel and catchy concept that can boost interest in the Energy Union and make it more than just a repackaging of existing policies.

Concrete Suggestions on how to include the Energy Efficiency First in the Energy Union Concept

In the **Preamble** we suggest the inclusion of wording along the following lines:
"In working towards the creation of a viable, sustainable and stable Energy Union, it will be necessary to systematically assess whether energy efficiency and demand side solutions can be found to energy system challenges. If they can and are more cost effective than supply side approaches, energy efficiency and other demand side solutions shall be prioritised"

In the section on **Security of Supply** we understand that the Energy Union concept will focus very much on diversifying suppliers. Yet the European Council conclusions from spring 2014 said that energy efficiency should be the first step to reduce gas dependence. The section should therefore echo this, and make the point that realistic demand projections are essential. For instance, projected gas demand in the scenario used for assessing the Projects of Common Interest (PCIs) is over 70% higher than needed, assuming that the EU meets a 30% savings target by 2030. The Energy Union concept needs to initiate a process to ensure scenarios are consistent with savings obligations.

In the section on the **Internal Market,** there should be a specific reference to the role that energy efficiency and demand response can play in market design e.g. balancing and capacity markets, to cut generation requirements and costs. According to the UK Department of Energy and Climate Change (DECC), it is *"cheaper to reduce load via demand side management than to build new capacity"* (Platts December 2014 Edition).

In the section on **Moderation of Demand**, the inclusion of the efficiency first concept will create new opportunities to save energy in all sectors. But these will only be met with well-designed and implemented legislation. The Energy Union must pursue improvements to the existing energy efficiency framework, including, among other things,

[4] See: **Fraunhofer ISI:** http://energycoalition.eu/sites/default/files/Fraunhofer%20ISI_ReferenceTargetSystemReport.pdf
[5] See: **How many jobs?** http://www.euroace.org/PublicDocumentDownload.aspx?Command=Core_Download&EntryId=433
[6] The "savings test" is a proposal devised by the Coalition for energy Savings (http://energycoalition.eu/).

highlighting the key priority sectors such as existing buildings, where rapid, significant and multiple benefits can be achieved. The section should also point out that the adoption of clear long-term targets for the key priority sectors are essential to drive the EU towards the creation of the Energy Union.
Member States are required, by the Energy Efficiency Directive, to update their renovation strategies for existing buildings and will have to devise upgraded, strategic and comprehensive strategies, which should include long-term targets, milestones and well-articulated incentives, regulatory and financing instruments, enabling them to capture the full cost effective savings potential in the sector through well planned deep and staged deep renovations. For example, in order for Member States to seize the next opportunity of the National Energy Efficiency Action Plans (NEEAPs) in 2017 to strengthen their national renovation strategies, making them a strategic, practical and implementable tool for boosting their own renovation programmes. These strategies should be given a more prominent role in the Energy Union. Let's not forget that existing buildings represent most of the building stock, and that by 2050 over 90% of the buildings standing today will still be standing and occupied.
This section should also revive some of the key ideas which the Commission presented in the past but did not pursue such as the provision in the 2009 Electricity Directive that requires consideration of energy efficiency measures before proceeding with infrastructure investments.
Finally, if the decision to invest in energy efficiency projects is to be based on cost effectiveness, it is essential that a more rational modelling methodology is used. The 17.5% discount rate, which the PRIMES Model currently uses for buildings is much too high and is, believe it or not, higher than rates used for oil company investments in Iraq!

In the section on **Decarbonisation of the EU Energy Mix** it is once again essential to give priority to the buildings sector as about 36% of EU carbon emissions come from buildings. This means that reducing their energy use is crucial to achieving the EU decarbonisation objectives. The energy efficiency of buildings should be classed as part of the energy system infrastructure on an equal footing with energy generation and transmission. In fact, EuroACE believes that spending on energy efficiency should, more generally, be seen as an infrastructure investment akin to building a new power plant or road, rather than as operational expenditure. Framing energy efficiency in this way will help to ensure that increased funding and investment will flow to energy efficiency projects.

Finally, for the Section on **Research and Innovation**, it will be important to emphasise that ambitious action to achieve the Energy Union will also deliver to EU industry a leading position in technological innovation and development. This will greatly assist the competitiveness of business and industry in the EU and open new export markets as other regions of the globe realise that they too have to use energy rationally and their increase energy efficiency in their economies.

Conclusion
The preparation of the Energy Union concept provides the EU with the opportunity to truly set the EU on a path to a better future. This opportunity must be grasped by ensuring that the concept concentrates on those factors that can most quickly and beneficially bring the EU to greater energy independence and security whilst maintaining our high quality of life.

Putting energy efficiency first, especially in existing buildings, is the way to achieve this!

End

For further information:
Adrian Joyce, EuroACE Secretary General
Tel. +32 (0) 2 639 10 10
E-mail: adrian.Joyce@euroace.org
Website: **www.euroace.org**

About EuroACE:
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 efficient use of energy in buildings, thereby contributing to Europe's commitments on climate change, energy security and economic growth.

EuroACE Members (January 2015) are: