

EuroACE Position Paper (November 2016) Energy Efficiency in Buildings: Investing in our Infrastructure

The Paper outlines the EuroACE position on the topic of considering energy efficiency in buildings as an infrastructure, especially in the perspective of financing building renovations. It explains why we should consider energy efficient buildings as infrastructure, and shows that there is an increased political support for this idea. It finally outlines some specific, easy and quick-to-implement policy recommendations.

1. Considering energy efficiency in buildings as infrastructure: a solution to better mobilise financing

According to the International Energy Agency, and in order to respect the Paris Agreement, 75% of EU actions to reduce GHG emissions by 2030 should come from energy efficiency, and half of that should come from the buildings sector.¹ Other **benefits from energy efficiency projects**, notably in buildings, have largely been documented, and policy, including at EU level, has repeatedly called for doing more on the topic. However, one of the remaining issues is to **match financing, which exists, to energy efficiency projects**. It is estimated that around €60 to 100 billion of investment could be done annually, only in buildings.² However, today, less than half of this amount is being effectively mobilised.



Considering projects in energy efficient buildings as infrastructure (**the X-Factor**), would help **matching the volume of financing to the right projects**, and give more confidence to investors.

Therefore, **energy efficient buildings should be considered as an infrastructure**, as they are a “long-lasting capital stock, provide input to a wide range of goods & services, and [free] up capacity elsewhere in the economy”.³ This would enable public authorities to treat investment in buildings with the same importance as other investments, such as in transport or broadband networks, i.e. **assessing both their costs and benefits**.

Funding building renovation is an essential investment in our infrastructure. When we renovate buildings, we are investing in the future productivity and prosperity of the EU. As any other infrastructure, buildings require investment and renewal in order to stay effective and competitive.

This is actually a prerequisite for applying the Energy Efficiency First principle, when deciding on how to allocate funds.⁴ Finally, it also makes sense to consider energy efficient buildings as infrastructure, as those are *de facto* **connected to the energy system**. They help to build a **resilient energy system**, and avoid investing in ‘stranded assets’. A first logical step could be to consider this for **public buildings**, such as schools or hospitals, as they deliver public services to European citizens.

¹ International Energy Agency, *Presentation at C4E Forum*, June 2016.

² EEFIG Report, *Energy Efficiency, the first fuel for the EU economy: how to drive new finance for energy efficiency investments*, February 2015, available [here](#).

³ Ada AMON & Ingrid HOLMES (E3G), *Energy Efficiency as Infrastructure: Leaping the Investment Gap*, March 2016, p.7, available [here](#).

⁴ Coalition for Energy Savings, *Energy Efficiency First: How to Make it Happen*, May 2015, available [here](#).

2. An increased political support at EU and local level

The **Scottish example** shows that considering investments in energy efficient building renovation as infrastructure investment is possible. In 2015, the Scottish Government made energy efficiency, especially in buildings, a **priority in its [infrastructure investment plan](#)**.

This will enable Scotland's Energy Efficiency Programme to offer financial support to building renovation, both in the **residential and non-residential sectors**, for the next **15 to 20 years**, while leveraging private funds. The creation of 9, 000 jobs is forecast by 2025.

There is currently a **positive political context** about energy efficient buildings being considered as infrastructure, notably when it comes to allocation of investment.

In 2015, the European Commission launched the **European Fund for Strategic Investment (EFSI)**, which aims at funding infrastructure projects. Although no specific amount has been 'reserved' for buildings, €100 million has been dedicated to a renovation **project in France**. This shows that for the European Investment Bank for example, a large project in energy efficient renovation of buildings, can be considered as a **strategic infrastructure investment**.

In June 2016, the **European Parliament** called in its resolution on the implementation of the Energy Efficiency Directive (**PIEPER Report**)⁵ to treat investment in energy efficiency projects as infrastructure investment. EuroACE welcomes this willingness from EU Institutions to act on the topic, and encourages fruitful discussions.

3. Policy Recommendations

EuroACE fully supports several of the recommendations put forward by the **EEFIG** and the think-tank **E3G**.⁶ Our building stock should be considered as a **strategic infrastructure**. Therefore, energy efficiency projects and building renovation should be considered as a **major structural reform** having a direct long-term positive budgetary effect, raising **potential sustainable growth**. In line with the Commission's position,⁷ investments in energy efficient buildings and energy renovation, should be granted some kind of flexibility within the Stability and Growth Pact.

Other, shorter-term, recommendations are to:

- Revise **EUROSTAT's definition of an asset** ('the 50% rule') from relating it to the value of the entire building to the value of the building's elements on which energy efficiency work is performed;
- Recognise cash savings from energy efficiency in the **'scoring' of investments**;
- Review **EUROSTAT rules on debt & deficit**, authorising (local) public authorities to consider energy efficiency investments in an off-balance sheet treatment (i.e. productive debt), and fund energy efficiency programmes from 'capital expenditure' (rather than operational) budgets;
- Develop **standardised** operational guidelines & procurement processes
- Review **State Aid treatment** of energy efficiency, as today, a maximum of 30 to 50% of an energy efficiency project is eligible to state aid, when other energy infrastructure projects are 100% eligible.

In the United States, where investing in energy efficiency in buildings can be considered off-balance sheet, cities invested €5 billion on energy retrofits (2015). This is more than 30 times higher than in the EU.

END

⁵ §47 "Calls on the Commission to treat energy efficiency as an infrastructure priority, recognising that it fulfils the definition of infrastructure used by the IMF and other economic institutions, and to make it a crucial element and a priority consideration in future investment decisions on Europe's energy infrastructure."

⁶ Op.cit.

⁷ European Commission, Communication COM(2015)12, "Making the best use of the flexibility within the existing rules of the Stability and Growth Pact", 13th January 2015, p. 9, available [here](#).

⁸ Jessica STROMBACK, Joule Assets Europe, [presentation](#) in the European Parliament, 20th October 2016.

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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 employ over 280 000 people in these activities in Europe, and have around 900 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.

EuroACE Members (November 2016) are

