

Financing energy efficiency in European buildings: How to boost large-scale retrofit?



Conclusions of the BPIE European Roundtable, 16 November 2010, Concert Noble Brussels

Energy efficiency experts from across Europe met in Brussels November 16 for a European Roundtable devoted to financing energy efficiency in buildings. The event was an initiative of the BPIE and comes at an important moment when the European Buildings Performance Directive is being 'recast' and a new National Energy Efficiency Plan is being developed for mid 2011.



Multi-owner residence

The Roundtable brought together under the Chatham House rules senior representatives from the European Commission (DG Energy, DG Regio, DG Research, the Joint Research Centre), the European Parliament, the European Investment Bank, the European Bank for Reconstruction and Development, the International Energy Agency and many national-level specialists from government and related agencies as well as from professional industry associations.

The significance of energy savings in buildings is well recognised as a key element in achieving global energy and CO₂ reductions in the European Union, therefore contributing to the "20-20-20" targets. Residential, public and commercial buildings are tremendous consumers of energy. They account for some 40 percent of total

energy use and 36 percent of greenhouse gases (GHG) in the EU are generated through the heating of buildings. Savings in this sector could make a substantial contribution to meeting the EU's goal of a 20 percent reduction in energy by 2020.

The key focus of the BPIE Roundtable was financing energy efficiency improvements in the existing buildings. The rate of refurbishment is currently less than 1% and renovations are not always deep enough, therefore the challenge is to create the financial and regulatory conditions to increase both renovations rate and quality.

Below are the key conclusions of the Roundtable as summarised by the Roundtable Chairman.

The rate of refurbishment of existing buildings in the EU is currently less than 1% and today's challenge is to create the financial and regulatory conditions for this to increase... building retrofit represents Europe's largest and the most cost effective carbon abatement opportunity.

Legal measures

- The European Commission should continue developing ambitious EU-wide policies and instruments, in particular Directives such as ESD and EPBD, and aim to define tangible and realistic targets adapted to the different situations in Member States, while stimulating the use of best European practice in all countries;
- National governments in the EU should provide the proper regulatory framework in the housing sector, especially regarding the issue of split incentives in the residential sector and unify the interests of landlords and tenants;
- National governments should pay particular attention to the regulation of housing associations as a key element for facilitating large-scale financing possibilities for privately owned residential buildings.



Non-residential building (office)

Regulatory actions

- National governments need to align regulatory frameworks with policy objectives by adapting or developing new and efficient building codes;
- Impartial advice, eventually by combining both technical and financial aspects, would drive confidence and help transforming the build environment.
- National governments should facilitate a more effective use of existing financial instruments such as grants, subsidies, fiscal measures and VAT reductions, by improving the surrounding regulatory framework;
- National governments have to encourage wider use of public procurement policy as a tool to promote energy efficiency and stimulate the use of latest technologies in areas such as insulation and the use of RES;
- A proper regulatory framework related to the housing sector must be provided at national level which will allow the cost of energy efficiency upgrades to be attached to the home, not to the homeowner;
- Member States have to complement their forthcoming National Energy Efficiency Plans by implementing adequate policies and make full use of the existing tools. They also need to address the issue of financing in terms of access to finance through the development and roll-out of innovative financing products and incentives.

National programmes

- Member States have to consider the public sector as a priority area and develop specific programmes related to energy efficiency in buildings which provide initial financing through local authorities. The public sector must lead by example;
- National governments should support cities, ESCOs companies and commercial banks in the energy efficiency sector by implementing capacity building programmes;
- Funding from governments is essential in launching and operating any large scale impactful programmes. Resources might be limited but Member States must take into consideration successful models and innovative investment schemes that already exist across Europe and try to replicate by adapting them into their respective national territories (e.g. KfW, GIS schemes, PAYS model);
- Professional associations, think tanks and institutes should have a more active role in identifying elements of best practices across Europe and check them for transferability, bearing in mind that national priorities are different;
- While there appear to be various solutions available for commercial, public and multi-apartment residential buildings, an easily replicable and sustainable solution for financing major energy and CO₂ emissions reductions from single family homes needs also to be developed;



A multi-family house

European Union funding

- The European Commission should continue supporting Member States in the development of more focused national programmes, and also support cities in developing their sustainable energy action plans by providing them with the proper technical assistance (e.g. the ELENA facility) and guidance on the use of structural funds;
- Member States have to consider energy efficiency in buildings as a priority area and introduce energy efficiency projects in existing building, making full use of the available structural funds and maximise their leverage;



A single family residence

- Member States should be aware that structural funds are not meant to substitute national ones but they need to be complemented. They should also know of the opportunities to use structural funds, in particular the ERDF, in various forms ;
- Member States must be prepared to revise their operational programmes and request permission from the European Commission to reallocate money not used in other operational programmes in favour of specific energy efficiency sector-related programmes;
- Industrial players have to maintain an active participation in European R&D programmes by establishing strategic public-private partnerships in the energy efficiency related field.



***Public non-residential
building (school)***

Commercial financing

- International Financial Institutions (IFIs) and commercial banks should reduce the gap between regulations and end users, and support the sector by providing technical assistance to clients, facilitating access to finance and streamlining administrative procedures;
- IFIs, commercial banks and regulatory authorities have to focus on designing new innovative and attractive financial engineering instruments (e.g. public-private partnerships, third party financing, white certificates, etc.) by working in close cooperation with the EU and national Governments;
- Commercial banks should promote energy efficiency projects and give advice to consumers who wish to implement energy efficiency measures by providing adequate training on energy efficiency issues to their own staff;
- Industry and professional associations must take the initiative and support cooperation in the building chain by providing proper education and training for their workers and members, as well as accurate information to individuals.

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