

RESPONSE TO THE EUROPEAN COMMISSION CONSULTATION ON THE FUTURE “EU 2020” STRATEGY

Commission Working Document COM (2009)647

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ACCELERATED RENOVATION OF EUROPE’S EXISTING BUILDING STOCK MUST UNDERPIN EU 2020 STRATEGY

The Alliance of Companies for Energy Efficiency in Buildings (EuroACE) welcomes the opportunity to comment on the European Commission’s Future “EU 2020” Strategy and strongly agrees with the key priorities for the strategy as outlined in the consultation working document. Delivering growth that is greener will provide multiple added benefits over the medium- to long-term for Europe’s economies. Maximising the energy efficiency of Europe’s buildings can contribute to achieving these EU 2020 objectives.

Up to forty percent of all primary energy used is consumed in buildings, both in Europe and globally. The built environment is, therefore, of critical importance when tackling issues such as carbon reduction, job creation and energy security. While the products, technologies and systems exist to improve the energy use of all types of buildings to a high standard, the move towards very low energy buildings across Europe is progressing too slowly. And while the 20% targets to lower carbon emissions and increase the use of renewable energies are mandatory, Member States are still not obliged to meet the equivalent energy efficiency targets set for 2020.

It is generally accepted that, even if the existing measures were fully implemented, the current 2020 targets are unlikely to be reached. In the case of energy efficiency, the EU Energy Performance of Buildings Directive (EPBD – 2002/91/EC) provides a sound basis for maximising opportunities to refurbish buildings, and the recent EPBD recast now includes a provision for ensuring all new buildings will be very low energy before 2021. However, a major acceleration in the refurbishment of the existing building stock, especially in built up areas, is needed if Europe is to achieve its stated knowledge-economy objectives. This EU 2020 Strategy should, therefore, provide for:

- **an obligatory and measurable energy efficiency improvement target of 20% by 2020**
- **a programme to refurbish 40% of Europe’s existing building stock by 2020**

EU ENERGY EFFICIENCY ACTION PLAN

A 2009 draft revision of the EU Energy Efficiency Action Plan (EU EEAP) seen by EuroACE recommended that the current 20% energy efficiency target should be made mandatory and put forward a plan to renovate 15 million buildings by 2020. This renovation rate is too low and does not go anywhere near meeting the 30% cost-effective refurbishment potential of residential and commercial buildings, as calculated by the Commission in the 2006 EEAP.

Given that measures to upgrade buildings provide the most-cost-effective way to reduce carbon emissions, while creating employment and contributing to economic savings, the main focus of the revised EU EEAP should be on buildings. There is a strong need for accelerated action towards the existing building stock, given that over 50% of that stock will still be standing in 2050. The revision should also include a major investment plan for the refurbishment of the building stock.

The Commission has a key role to play in bringing the building chain together and providing a platform for dissemination, education and sharing of best practice. The chain is composed mainly of SMEs which do not have the capacity to do this. The bigger Member States, such as UK and France are gaining valuable experience in this area which could be transferred to smaller and less-experienced Member States. The mechanism for doing so should be at EU level.

Another challenge which has grown steadily in importance since 2006 is that of energy security. Europe currently imports 50% of energy consumed; this is set to rise if the status quo is maintained. The Russia-Ukraine gas disputes of recent years again highlighted Europe's vulnerability to foreign energy dependence. A true energy security policy is one that mitigates dependency and promotes home-grown solutions. To this end, the reviewed Action Plan should include a stronger energy security element, with energy efficiency becoming the corner-stone of Europe's efforts to ensure that the energy needs of Europe are met continuously.

→ Recommendations:

- The revised EU EEAP should be presented by the Commission as soon as possible in 2010
- It should contain a provision for a mandatory and measurable 20% energy efficiency target by 2020
- It should propose a comprehensive plan to refurbish 40% of Europe's building stock by 2020, including a sound financing strategy
- It should contain a provision for a review of the EU Energy End-Use Efficiency and Energy Services Directive (2006/32/EC) to include measures to harmonise the National Energy Efficiency Action Plans, to support the development of the European Energy Services market, to mandate the establishment of energy efficiency funds, and to increase the ambition level of the targets
- It should contain a BUILDINGS 21 initiative for bringing the entire building chain together under one platform, similar to the CARS 21 (Competitive Automotive Regulatory System for the 21st century) process

EMPLOYMENT

A key factor in adopting a Future EU2020 Strategy is to mitigate the effects of rising unemployment across Europe as a result of the current economic and financial crisis. The EU 2020 strategy working document states that a more entrepreneurial culture needs to be developed in Europe, with those who have been recently unemployed moving to self-employment. The economic impact assessment that accompanied the EPBD recast Commission proposal estimated that, when the Directive is fully and effectively implemented, up to 450,000 direct jobs in the construction sector would be created for the European economy. Refurbishing buildings creates employment especially for SMEs.

However, there is a lack of information on the economic and employment effects of energy efficiency policies, despite the fact that growth potential is high in this area. The Commission published an April 2009 study entitled "EmployRES: The impact of renewable energy policy on economic growth and employment in the European Union". An equivalent study should be carried out for the energy efficiency sector to quantify the job creation potential – both direct and indirect - of energy efficiency policies in Europe. Such data would serve to persuade Member States who are lagging behind of the real benefit of refurbishment policy and investment.

→ Recommendation:

- European Commission should carry out an immediate study on the employment potential effects of energy efficiency policies in Europe

EDUCATION

For new entrepreneurs to move into the energy efficiency arena and for existing qualified architects and engineers alike, it is essential that more substantial efforts are made in the field of training to support the building chain as it moves Europe's building stock to a low energy status. Newcomers to the industry need to be adequately trained to ensure that the installation and maintenance of energy efficient technologies results in the

best possible energy savings, while existing architects, engineers, builders, installers and maintenance personnel must be up-skilled.

Member States should be obliged to provide the necessary training and education programmes for the energy efficiency workforce. The next step is to ensure that there is mutual recognition between Member States of training schemes so that the labour force can operate freely across the internal market when necessary.

While training activities are a largely national competence, the Commission does have a leadership role to play in spreading best practice and providing finance to stimulate such activities. Providing technical assistance to Member States to ensure the best use of available financing is also imperative.

Concrete steps should be taken to ensure that all relevant technical courses, particularly for the construction industry, include a full understanding of the holistic benefits of improving energy efficiency in all parts of a building. Those acquiring specialist training on a specific product/system within a building should also be provided with training regarding all energy efficiency aspects of a building - potential fabric improvements, lighting, and glazing. All training programmes should include an understanding of the overall energy efficiency context.

→ Recommendations:

- Establish an Action Plan for training Europe's labour force to achieve the EU 2020 agenda which would include, inter alia:
 - an obligation for Member States to establish reputable training programmes for the proper implementation of the EPBD and to ensure there is a competent labour force available for the wide-scale refurbishment of buildings. All building design courses should have an energy efficiency element
 - the mutual recognition of qualification, accreditation and certification schemes across the EU
 - the exchange of best practice among Member States via vocational training centres, public private partnerships, BUILD UP portal etc
 - dedicated established EU Funds, such as the European Social Fund, to promote and facilitate training programmes for energy efficiency
 - the provision of technical assistance to Member States to access available Community funds for training

FINANCE / INCENTIVES

Access to financing is one of the main barriers to achieving Europe's goals on energy efficiency, even for the implementation of mandatory requirements. The financial crisis has taken a heavy toll on public finances, businesses and householders alike. Innovative and wide-reaching finance mechanisms and incentives are the key to Europe's energy efficiency success. Not only should Europe provide adequate financial support, but it must also ensure that mechanisms are put in place to facilitate investment in the building sector.

Structural and Cohesion Funds:

Structural and other Community Funds are readily available but under-utilised by Member States when it comes to energy efficiency, due to a lack of knowledge that they exist and on how to apply for them. Furthermore, such funds are not always used in line with the objectives of the EU. The Commission can play a greater role in educating Member States. DG Energy should also work more closely with DG Regio to align the structural fund programme with EU goals on energy efficiency.

Energy Performance Contracting:

More needs to be done at EU level to create and encourage demand for energy performance contracting (EPC) by energy service companies (ESCOs). EPC is the primary third party financed energy reduction method employed in Europe but it is currently under-utilised despite being stated explicitly in legislation such as the Energy End-use and Energy Services Directive (ESD). A future revision of the ESD should require all Member States to incorporate ESCOs strongly in their energy efficiency action plans; it should no longer be an option. This will also require Member State action to remove administrative barriers to facilitate the engagement of long-term contracts with the public sector and to ensure that departments will retain the financial benefits of

reduced energy costs. Further communication campaigns are also needed to promote and explain the many benefits of EPC and ESCOs to Member States.

Focusing on “demand-side” factors such as raising the awareness, ability and demand in the public and private sector for undertaking EPCs will be much more effective in underpinning an ESCO market in the European Union than “supply-side” measures that focus on obliging energy providers to provide energy services.

The European Investment Bank (EIB):

The EIB, as the long-term lending arm of the European Union, is an important vehicle to provide funding for energy efficiency. Over €10 billion was lent to the energy sector in 2008 alone. However, when it comes to energy efficiency especially, there are major barriers to getting this funding into the right hands. One barrier, for example, is that the minimum EIB lending amounts are much higher than the budgets for energy efficiency projects. Furthermore, local banks, especially in today’s economic climate, are not investing in lending programmes for energy efficiency. The resources exist; now the appropriate funding channels need to be opened. The EU 2020 Strategy should look to address these and other concerns relating to the funding of energy efficiency in buildings.

VAT:

Currently, approximately 30% of EU Member States apply a lower VAT rate for energy consumption than for certain energy saving products. This fiscal situation does not support the agreed 2020 goals on carbon emissions, renewable energy and energy efficiency, and should be remedied. The Commission could also play a role in connecting lower VAT rates to higher-performing buildings and components. This would mirror existing efforts in Member States to promote more fuel-efficient cars by lowering tax levels on certain fuel-efficient models. It would also have the effect of pushing the building market towards EU goals.

→ Recommendations:

- Mandate the use of a certain percentage of Structural Funds to be used to upgrade the existing building stock in all Member States
- Review and increase the allocation of 4% of Structural Funds for the housing sector in the next programming period
- Develop and provide technical assistance to Member States, local and regional authorities, and local banks to access available Community and other funds to invest in energy efficiency in multi-family and social housing sectors in particular
- Require the integration of the use of ESCOs into Member State energy efficiency action plans under the ESD revision supported by a promotion campaign of energy service contracting across Europe
- Develop solutions to ensure the increased uptake of EIB funds for energy efficiency, particularly via the use of ESCOs
- A Commission proposal should be presented allowing all Member States to apply the lowest rate of VAT for energy saving products and services in buildings.
- EU Economic Recovery Funds should focus on energy efficiency projects to support available and proven cost-effective technologies even if they are more difficult to implement

COMPLIANCE

Member States have been sometimes slow to implement EU legislation effectively, especially but not exclusively in the field of energy efficiency. In particular, the implementation of the EPBD has been slow and inadequate in some countries. There are many reasons for this, ranging from a lack of resources to a lack of commitment. However, ambitious targets and measures are useless unless they are adhered to. The EU 2020 Strategy provides a good platform for implementing a robust plan of action to improve the implementation of the existing *acquis communautaire* in Member States.

→ Recommendation:

- Outline effective measures to be taken by the Commission and penalties for Member States in the case of lack of compliance and/or implementation of the *acquis communautaire*

CONCLUSION

The consultation working document says that supply and demand needs to be better matched when it comes to labour. For energy efficiency, there will be no supply with a sufficient and guaranteed demand. Due to market failures, a mandatory target for energy efficiency is needed so that businesses, labourers and Member States alike can invest in the future.

The lighting industry is a perfect example of this. Despite spending billions on communication campaigns to compel consumers to buy more energy efficient light-bulbs voluntarily, a market penetration of just 20% was seen. As a result, the EU has now banned all incandescent light-bulbs. When it comes to energy efficiency in buildings, ambitious mandatory targets and measures are imperative.

2020 is a decisive year for Europe on many levels. Achieving our ambitions over the next decade will take dedicated effort, but is achievable. EuroACE companies are willing and able to actively help Europe meet its EU 2020 challenges. There is mutual benefit in providing goods and services that contribute towards goals on climate change, job creation and improved energy security. A mandatory energy efficiency target, and a robust refurbishment programme for buildings in particular, would give industry the confidence to invest even further over the next ten years and beyond.

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 140 billion Euros and employ 328,000 people in Europe. The mission of EuroACE is to work together with the institutions to help Europe move towards a more sustainable pattern of energy use in buildings, thereby contributing to Europe's commitments on climate change, energy security and economic growth.

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- *Acciona Infraestructuras*
- *Aereco*
- *Armocell International*
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- *Johnson Controls*
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