

## **EU priority actions for a fast, fair and attractive energy transition 2019-2024**

The EU can deliver a fast, fair and attractive energy transition through removing market barriers to energy savings and working with new societal trends. It will transform today's economy into a highly energy-efficient economy where the remaining energy demand can be readily supplied from renewable energy sources in a cost-effective manner. It will allow the EU to reach net zero greenhouse gas emissions by 2050.

The EU has set minimum energy efficiency levels through its 2030 targets. But actions and measures are yet insufficient to accelerate the renovation of our ageing buildings, the replacement of inefficient appliances and the modernization of polluting transport systems. Public investment and support for new and mostly fossil fuel infrastructure is often given priority instead.

The new European Parliament and Commission will have to take on this challenge: They will have to close the gap between ambitions and actions and deliver tangible benefits to people and businesses, so that the Energy Union becomes a reality for all.

Achieving the agreed 2030 efficiency and renewable targets will get the EU to reduce GHG emission by around 46%, well beyond its 40% target, though still an inadequate response to the climate crisis. The energy efficiency target should therefore increase from the current 32.5 at least to 40% - the EU's cost-effective energy savings potential.

We propose the following actions to the new Commission:

### **Apply the energy efficiency first principle to energy markets and infrastructure planning in a 2050 net-zero GHG emission perspective**

Tapping the 2050 energy savings potentials means reducing the energy demand to less than half of today's size, while tripling investments in housing, mobility and efficient production. The energy system will have to be adapted to the needs of a renewable and increasingly electricity-based system, where demand side flexibility is maximized. Energy losses as well as related ecological and societal costs must be kept to a minimum.

This new paradigm needs to be embraced by the energy market design and energy infrastructure. This will protect consumers and business from the costs of stranded assets or assets that are locked into non-viable resources and carbon intensive systems.

That is the reason why the EU has established the energy efficiency first principle in the Energy Union and legally enshrined it in the Governance Regulation.

Nevertheless, governments are not yet applying the principle in their preparations for National Energy and Climate Plans which are due by the end of 2019. There is a tendency to be optimistic on economic growth and pessimistic on energy efficiency. This is a dangerous recipe which speeds up the climate and social crisis. Exaggerating energy demands is not a smart risk hedging strategy.

The European Commission must provide strong guidance and lead by example. It must support the systematic application of the energy efficiency first principle to all energy infrastructure related investment decisions. Furthermore, it must ensure that energy efficiency solutions are prioritised, whenever they would deliver more value than investing in new energy infrastructure and renewable supply. The potential of recovering energy from waste heat, already considered in the new Renewable Energy Directive, should be better recognised.

The planned gas package will be a test case for the Commission on whether it is committed to abide to its own policies. With each extra percentage energy savings, gas demand is expected to fall by about 3%. This is due to the important role of reducing heat demand in buildings thanks to renovations. Reaching the EU's 2030 targets will therefore lead to a reduction of gas demand by almost 31% compared to 2017 levels. Such dramatic downsizing of energy supply volumes needs to be reflected in future projects and policies: Projects of Common Interest, EU's budget, state aid and lending policies, and in particular the gas package to be prepared by the new Commission.

### Priority actions

- » Provide common guidance for a systematic application of the energy efficiency first principle to all energy infrastructure related investment decisions.
- » Review the objective of a future gas package as to ensure it is fully aligned with the goal of reaching net-zero GHG emissions latest by 2050 and the principles provided in the EU's Clean Energy Package, namely i) putting energy efficiency first; ii) achieving global leadership in renewable energies; and iii) providing a fair deal for consumers.

### Support implementation and enforce existing law

Energy efficiency and energy savings policies are enshrined in EU law. They include enforceable requirements on performance, reporting and delivery, which create rights, incentives and expectations. But implementation, enforcement and market surveillance are insufficient and many Member States do not comply with delivering and reporting energy savings requirements. They also fail to make adequate contributions to securing the EU 2020 and 2030 headline targets.

The rule of law needs to be defended more than ever. This requires swift and fast actions by the Commission, as Guardian of the Treaties. We have noticed an increase in enforcement procedures by DG ENER, but results are not yet visible. In order to be effective, enforcement requires independent market surveillance, monitoring and verification of energy efficiency and energy savings claims.

The Commission participates in a wide range of implementation activities, which even go beyond the minimum mandatory procedures (e.g. The Concerted Actions on the Energy Efficiency Directive and the Energy Performance of Buildings Directive). But these additional activities are not sufficiently transparent or do not deliver a structured and continued dialogue between stakeholders and implementers at national level.

If the Energy Union is to evolve towards a greater role for consumers and energy communities, it will require a new implementation process that is up to the challenge. It should be based on regular consultations that include stakeholders. This should take place outside of the official implementing bodies, as it would allow exploring a wider range of strategies and options to make energy efficiency the first choice.

A systematic stakeholder process could also lead to kick-starting the energy services market. Energy efficiency services and energy performance contracts (EPCs) are still not sufficiently known and considered when upgrading buildings, especially public or tertiary buildings. Yet, they represent one of the most cost-effective tools for the reduction of energy consumption and CO2 emissions. From a financial point of view, EPCs are very profitable as well, as they often require just limited or no upfront investment from clients, thus facilitating the implementation of the required energy efficiency measures.

Furthermore, the Commission should prepare as soon as possible an assessment of lessons learnt so far from implementing the Energy Efficiency Directive, and in particular progress on the energy savings obligation. This would facilitate the engagement of stakeholders who do not have access to the bilateral discussions between the Commission and the Member States. This will lead to further transparency and help stakeholders to develop their recommendations on how to improve the implementation measures, as well as help the uptake of best practices at national whether on policies or financial programmes.

### Priority actions

- » Establish an independent market surveillance, energy savings measurement and verification body.
- » Put in place an inclusive and transparent implementation process led by the Commission, with regular meetings of implementing bodies and stakeholders.
- » Provide timely and regular information on the status and quality of EU energy efficiency legislation implementation.
- » Create a more favourable environment for energy efficiency services and energy performance contracts (EU Taxonomy, combination with Structural Funds, guarantee mechanism to reduce the perceived risks).

### Provide dedicated financing and regulations for housing

In order to reach the 2030 energy efficiency target an additional annual investment of about €159 bn for residential building renovation delivering around 3 million renovated dwellings is required.

Access to financing is a prerequisite for energy efficiency measures, yet it is insufficient on its own to tap the savings potential in buildings. This is particularly true when it comes to renovating the residential building stock and upgrading its technical building systems. We suggest a combination of adequate regulation, such as a well transposed Energy Performance of Buildings Directive (EPBD), the Long-term Renovation Strategies, minimum energy performance requirements for all renovations to existing buildings, and dedicated financial and technical support schemes. Only dedicated support schemes are able to address the needs of the specific market segments. It will also send a strong signal to the building material providers, the construction sector and Energy Service Companies (ESCOs) to strengthen their products and services portfolio.

In principle, the EU's European Structural and Investment Funds (ESIF) and the European Fund for Strategic Investments (EFSI, future Invest EU) allow for financing of building renovation and efficiency upgrades, but in practice it does not happen easily, especially in the residential sector. There is a range of instruments that have been identified to tackle the barriers: de-risking, project aggregation, technical assistance, and indeed dedicated funding to energy efficiency (though the amount is inadequate to allow going beyond the pilot stage). However, none of these solutions deal with the specific situation of residential buildings, of small scale, dispersed and difficult to reach. Unless residential buildings are renovated, a large part of the energy savings potential will remain locked in and people will not benefit from the energy transition.

Housing has been identified across Europe as a major societal concern, given the soaring prices in city centres and low quality of buildings. Improving energy efficiency performance of residential buildings will benefit its occupants, by providing better comfort and health and improved living conditions for all. This should be part of a housing policy supported by the European Union.

### Priority actions

- » Dedicate a significant part of the EU's budget towards a 'healthy and affordable housing' fund, which supports the common political objective across the EU of providing high quality housing with high energy performance, access to renewable and community energy and new employment.
- » Accompany EU funding for energy efficiency projects in buildings by establishing national centres of excellence mandated to provide technical assistance, to develop skills and to ensure that deliverables are measured and verified.

## Work with societal trends, starting with digitalisation

Digitalisation - together with increasing expectations on quality of life, industrial transformation and emerging new business models – is rapidly transforming our industries, economies and societies. Only if put to task will these changes be beneficial to the EU's objectives. This will require concerted efforts given that a variety of policy areas are involved.

Digitalisation plays an important role in the transformation of the energy system. There is political will to act in this policy area. Therefore, we propose to tackle digitalisation as a matter of priority, starting from the basic level, the energy efficiency of data centres. No EU minimum requirements or best available techniques reference documents are available. The voluntary code of conduct approach run by JRC could be a basis to develop legal requirements appropriate to manage the significant and fast-growing impact of data centres on the energy balance of entire nations.

### Priority actions

- » Establish an EU-wide and legally binding minimum energy performance standard for data centres similar to what the EU has done in other sectors by, among others, minimising their energy consumption and reusing waste heat via district heating networks.
- » Create a platform for discussion and exchange of views between DG ENER, DG CONNECT and stakeholders from the energy efficiency and digitalisation sectors.

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The Coalition for Energy Savings strives to make energy efficiency and savings the first consideration of energy policies and the driving force towards a secure, sustainable and competitive European Union. Its membership unites businesses, professionals, local authorities, cooperatives and civil society organisations in pursuit of this goal.

### Coalition members represent:

- more than 500 associations, 200 companies, 1,500 cooperatives
- 15 million supporters and 1 million citizens as members of cooperatives
- 2,500 cities and towns in 30 countries in Europe

### Members of the Coalition:

**ACE** - Architects' Council of Europe | **APPLiA** - Home Appliance Europe | **BPIE** - Buildings Performance Institute Europe (advisory member) | **CAN** - Climate Action Network – Europe | **CEE Bankwatch Network** | **ClientEarth** | **Climate Alliance** | **E.V.V.E.** - European Association for the Consumption-based Billing of Energy Costs | **E3G** | **eceee** - European Council for an Energy Efficient Economy | **ECOS** - European Environmental Citizens Organisation for Standardisation | **EEB** - European Environmental Bureau | **EFIEES** - European Federation of Intelligent Energy Efficiency Services | **ehi** - Association of the European Heating Industry | **Energy Cities** | **EPEE** - European Partnership for Energy and the Environment | **eurima** - European Insulation Manufacturers Association | **EuroACE** - The European Alliance of Companies for Energy Efficiency in Buildings | **European Alliance to Save Energy** | **European Climate Foundation** | **European Copper Institute** - Copper Alliance | **Friends of the Earth Europe** | **Glass for Europe** | **Housing Europe** | **PU Europe** - European Association of Polyurethane Insulation Manufacturers | **RAP** - The Regulatory Assistance Project (advisory member) | **REScoop.eu** | **T&E** - Transport & Environment | **WWF European Policy Office**