Assessing the level of EU & national funding for energy efficiency – EFIEES' views

EFIEES is the voice of private energy service companies (ESCOs) and their national associations across Europe. Our members represent over 100.000 professionals committed to the design and implementation of energy efficiency measures in public and private buildings, industrial facilities, as well as to the efficient operation of district heating and cooling networks.

EFIEES' members report the use of both national and EU public funding for their energy efficiency projects. At EU level, the European Regional Development Fund (ERDF) and the Recovery and Resilience Facility (RRF), are, among others, frequently used for such projects. At national level, there is a great diversity of public fundings for energy efficiency across Europe. Based on its members' feedback, EFIEES draws the following two general conclusions when assessing public funding for energy efficiency in the EU.

★ Public funding for energy efficiency should focus more on guaranteed savings overtime

As rightly emphasised by the Commission in its call for evidence, **energy efficiency is instrumental to achieve EU carbon neutrality by 2050 while enhancing EU competitiveness and ensuring energy security and affordability.** Thus, designing and using public funds in a cost-efficient way is key, especially at a time when public spending is limited. To optimise the use of public subsidies, **funding instruments for energy efficiency should prioritise guaranteed energy performance overtime, through solutions such as Energy Performance Contracting** (EnPC)**.** Hence, ESCOs - which provide these solutions—should be able to access certain EU public fundings like the ERDF for their energy efficiency projects.

Moreover, depending on how they are designed, **public fundings for energy efficiency are often in competition with successful energy efficiency solutions such as Energy Performance Contracts**. In some countries like Slovakia and Romania, for a given project, clients will rather turn to a single-action solution under a public funding, focused on equipment or works on the envelop of the building, than to an EnPC project with multiple actions and benefits, combining equipment, works and services. In these cases, we see that **public subsidies fail to finance the projects with the highest and longer-term energy savings**.

Beyond that, **public fundings for energy efficiency generally seem to be mostly used for single-action projects**. A more efficient way to use these funds would be through projects that include a combination of actions, with **ESCOs** to play the role of aggregators of tasks, as they have the skills to **manage and design multi-actions projects with guaranteed savings overtime**.

★ Public funding for energy efficiency should be more predictable and simpler to access

In some Member States, most of energy efficiency projects would not happen without public support. Yet, **public fundings for energy efficiency sometimes seem quite difficult to access, to use, or to identify**. They can also be **perceived as volatile**. For instance in Italy, Slovakia and Belgium, EFIEES' members report several cases of very attractive - yet limited in time - incentives, which have heavily disrupted specific energy markets (renovation, heat-pumps…).

A better understanding of available public fundings for energy efficiency would benefit the whole system, leading to a more efficient and tailor-made use of public money. **Longer-term funds, coupled with simplification would guarantee a better predictability and mitigate markets distortions.**

Moreover, **there are a lot of well-functioning national public fundings across the EU**, like in France and Italy, that allow to boost energy efficiency on the ground. If a EU mechanism could better support energy efficiency projects, it would need to build on and feed already existing and well-designed national funds, while allowing to provide financial support to ESCOs implementing EnPCs and making sure that it does not add complexity to the whole system.