

WHY PRIORITISING ENERGY EFFICIENCY UNDER EFSI THROUGH EARMARKING?



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I. Why should energy efficiency be a priority for the EFSI?

1. *Energy savings create sustainable jobs and stimulate growth through leverage effect*

In the context of an economic downturn, the sector of energy efficiency is one that could lead to job creation, as builders, craftsmen, installers, architects, engineers, and so on could renovate, design, and install energy-efficient technologies. By 2020, up to 2 million jobs could be created in the area of energy efficiency measures alone, with another possible 2 million jobs by 2030.¹ For each million euro invested in energy savings measures, an average of 17 jobs are created.² In addition, energy efficiency projects trigger significant a leverage effect with public support being able to mobilise private capital in a factor 15 to 20. For example the German "renovation fund" offers loans from the public bank (KfW) topped-up by grants from the federal budget. This scheme reported investment leverage around 1 to 10 over the period 2006-2011, constantly increasing and reaching even a 1 to 16 ratio in 2010 and a 1 to 20 ratio in 2011.³

2. *Energy savings improve the competitiveness of our companies*

Energy and resource costs represent 20 to 50% of overall production spending within the manufacturing industry. For geological and structural reasons, Europe will always have higher electricity and gas prices than its major competitors like the US or China. Therefore, if we improve the energy and resource efficiency of our manufacturing processes, EU industries would remain cost-competitive when selling products on the world market.

¹ The scenario based on 40% GHG reduction, ambitious explicit EE policies and a 30% RES target would generate 1.25 million additional jobs by 2030, compared to the reference scenario:

http://ec.europa.eu/energy/doc/2030/20140122_impact_assessment.pdf (please note that this does not model the 40% energy efficiency target agreed by the European Parliament (in February 2014), but only a maximum of 34% savings. Adopting a binding target of 40% energy savings would boost job creation still further).

² Institute for European Environmental Policy, *Review of Costs and Benefits of Energy Savings*, May 2013.

³ KfW Press Release, *KfW programmes Energy-efficient Construction and Refurbishment: public budgets benefit up to fivefold from "promotional euros"*, 27 October 2011.

3. Energy efficiency is a true European project

Solidarity is at the core of the European project. For historical reasons, economies located in central and eastern Europe are still quite inefficient, as to produce one unit of GDP, eight times more energy is needed in Bulgaria than in Denmark.⁴ Energy efficiency helps these economies to converge and reduces the macro-economic imbalance. Efficiency investments, particularly those under the EFSI, would help countries particularly severely hit by the crisis in Central and Eastern Europe to move forward.

4. Energy savings reduce our trade deficit and our dependence to Russian gas

In 2013, the EU spent €421bn on foreign energy, mostly Russian gas. This is equivalent to nearly €1.2bn per day, or €1,200 for each inhabitant of the European Union. Reducing our consumption is the only way to cut our dependency on Russian gas, and to stop relying on the goodwill of Putin and Gazprom.

5. Energy savings diminish bills and reduce energy poverty

Energy poverty affects some 50-125 million EU citizens, meaning that between 14 and 36% of the population finds it difficult to pay their electricity and gas bills, or can't properly warm their houses.⁵ The better insulation of housing, coupled with more efficient appliances and an energy-smart way of consuming energy would allow all of us to gain purchase power.

6. Energy savings help the fight against climate change

If we are to stand any chance of limiting global warming to a maximum of two-degrees by the end of the century, we have to cut our greenhouse gas emissions. The best option for doing so is to consume less energy. In 2013, 40% of the energy consumed in Europe went towards warming (in winter) and cooling (in summer) our homes. Moreover, transportation represented 31% of our CO2 emissions. This means that we need to save energy in order to save the planet. By better insulating our homes and shifting towards a cleaner transport system, we contribute towards reaching our climate goals.

II. Why only an earmarking under EFSI would make the difference?

The Energy Efficiency Financial Institution Group (EEFIG) gathered experts from key financial institutions (e.g. the EIB, Allianz, Aviva, Bank Nederlandse Gemeenten, Belfius, BNP Paribas, Caisse des Dépôts et Consignations, Cassa Depositi e Prestiti, Credit Suisse, Deutsche Bank, Croatian Bank for Reconstruction and Development, Hungarian Development Bank, ING, KfW, Polish Bank Association, Société Générale, Unicredit) as well as the industry (e.g. ABB, Builders' Confederation, European Construction Industry Federation, Schneider Electric, Siemens). In their final report published in February 2015, the EEFIG makes it clear that earmarking is indispensable if we want that funds actually go to efficiency:

"EEFIG considers that the Investment Plan should include a clear focus on improving the energy productivity of Europe as a key driver of growth with funds earmarked for energy efficiency investments".⁶

Annual needs for energy efficiency investments vary in the range between € 84 and € 100 billion by 2020, the bulk of it in buildings renovation. However this investment is likely not to happen, for the

⁴ European Commission, [EU Energy in figures: Statistical Pocketbook 2014](#).

⁵ EPEE Intelligent Energy Europe, [European Fuel Poverty and Energy Efficiency](#)

⁶ EEFIG, [Energy Efficiency is the first fuel for the EU Economy](#), February 2015.

following reasons:

- Buildings renovation are often small projects which, assessed separately from each other, are considered relatively risky by financial institutions and benefit from relatively expensive access to capital;
- In 2012, public support to energy savings is reported at a very low level around € 9 billion, less than 8% of the € 113 billion total energy support in the EU28;⁷
- Only 3% to 5% of EIB funding goes to efficiency because larger projects are easier to set up;⁸
- Overall only 1.7% of the projects proposed by member states in the EFSI projects pipeline were related to energy efficiency.

These trends won't change and support to efficiency will remain insignificant unless "fresh" money is injected. The EFSI represents a unique opportunity to bridge this investment gap: energy efficiency should be a priority area of the EFSI and allocate significant means to technical assistance and financial guarantees for project promoters.

As a consequence, we recommend that € 3 to 5 of the € 16 billion of EU guarantee foreseen under the EFSI should exclusively serve the purpose of energy efficiency, notably buildings' renovation. If we don't earmark a specific amount of money, all intentions and all political will in favour of energy efficiency will remain vain.

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⁷ European Commission, [Subsidies and Costs of EU Energy](#), 10 October 2014.

⁸ EURIMA, *Growth & jobs first: Why energy efficiency in buildings needs earmarking within EFSI*, 15 March 2015.