



THE LUXEMBOURG DECLARATION

Boosting investments in energy efficiency and renewable energy sources in the energy union

Luxembourg, 23 September 2015

By Claude Turmes, Member of the European Parliament

Claude Turmes



Claude Turmes has been a Member of the European Parliament since 1999.

He led parliamentary work on major European energy legislation, including the second internal energy market reform (2002), and the core elements of the 2020 package - the 2009 Renewable Energy Directive (RED)

and the 2012 Energy Efficiency Directive (EED).

He participated in the negotiation of the Energy Performance of Buildings Directive (EPBD) by promoting both the concept of near-zero energy building (nZEB) and the energy renovation of existing buildings.

Claude Turmes was also instrumental in creating Intelligent Energy Europe, the European Energy Efficiency Fund (EEEF) and the so-called “Juncker Plan”: the European Fund for Strategic Investments (EFSI).

He is also the President of the European Forum for Renewable Energy Sources (EUFORES).

Claude Turmes is from Luxembourg, which is home to one of the world’s largest institutions financing renewables and efficiency (the European Investment Bank and the European Investment Fund) and gathers more than 400 investment funds specialised in these sectors.

Preamble

This Declaration is a call to European policy makers. Ahead of the climate negotiations to be held in Paris (COP 21), it aims to encourage the ongoing transformation of the European energy structure to carbon-free energy with a combination of renewables, demand-reduction through energy efficiency and demand-side management. Investments in renewable energy and energy efficiency present different profiles than investments in fossil fuels, requiring greater upfront capital and then showing much lower running costs. Reducing the risk attached to renewables and energy efficiency can be done through policy measures and financial instruments. This is shown in this Declaration, which is formally presented on 23 September 2015 by Claude Turmes, MEP from Luxembourg, to the 28 European energy ministers at an informal energy Council under the auspices of the Luxembourgish Presidency of the Council of the European Union. This Declaration is also expected to initiate a discussion on establishing an ambitious investment plan with tailored financial instruments to attract new investors (institutional investors, banks, citizens’ cooperatives, farmers and local authorities) that would place renewable energy, energy efficiency and energy storage at the forefront of European energy and climate investments.

This implies to design a robust governance regime (including planning, monitoring and reporting) that incentivises early action by member states, provides investors’ certainty and ensures more integrated policies on renewables, energy efficiency, interconnectors, energy security and internal energy market.

Introduction

World greenhouse gas emissions have continued to increase rapidly up to 2014 and are not sustainable at current levels. More action is needed to tackle climate change and the accelerated development of renewable energy and energy efficiency is at the core of all international scenarios, notably the International Energy Agency “450 scenario”, aiming at keeping global warming below 2°C.¹ The climate conference (COP21) in Paris is a unique opportunity to reverse current unsustainable greenhouse gas emissions trends and to correctly set up renewables and energy efficiency as the leading solutions to fight fuel poverty,² enhance energy security³ and mitigate climate change while creating jobs and boosting growth and innovation.

The European Union and its member states have long been leaders in sustainable energy such as wind energy, photovoltaic, concentrated solar power, passive and near-zero energy buildings, deep renovation strategies, renewables for heating and cooling, district heating, integration of renewables in smart electricity grid systems, as well as the global export of world class technology, experience and ideas. The EU has also been a leader in networking and exchange of good practices, notably through the Covenant of Mayors, allowing migration from individual technological development to systems thinking and integrated approaches. Finally, the EU is also a leader in long-term renewables, efficiency, and greenhouse gas reduction binding targets, included in the 2020 package. These elements enabled massive cost reductions, notably in the solar and wind sectors, which have surpassed other “low-carbon” technologies such as CCS and nuclear power in terms of their respective levelised costs of electricity (LCOE).⁴

Commission President Juncker’s political guidelines⁵ identify Europe’s objective to retain leadership and continue to be the ‘global number one’. However European green energy investment has been in decline or stalling since 2010. In 2014, it increased by only 1%, compared to 16% globally.⁶ Moreover, Europe is at risk of losing its leadership role in green technologies and solutions. This is the result of several factors: more aggressive policies developed in other countries such as China and the United States, the economic crisis affecting Europe since 2008 and the reluctance of some companies to fully engage in an energy transition that could call into question their current business model.

During the early 2000s, Europe attracted a myriad of new investors, such as citizens and cooperatives installing rooftop solar panels, farmers investing in biogas, and pension funds financing large wind projects. Unfortunately, poor policy design and policy volatility in some member states, such as retroactive changes, have undermined investors’ confidence and resulted in two problems: firstly a material increase in the cost of capital for renewables and secondly a diversion of capital towards other low-carbon markets.

In the context of low economic growth, low building construction activity and low inflation, investments in energy efficiency can significantly support economic recovery, improve the competitiveness of the European economy and its resilience to external shocks, as well as create substantial market opportunities for SMEs and midcap companies. Subsequent cuts in gas imports are essential in light of the instability of the EU’s Eastern neighbourhood. Nevertheless, even with recent modest success, there have been more words than deeds in this sector, and investment in energy efficiency is estimated to be at around half of what is needed by 2020. All of the EU policy measures need to be fully implemented in a timely manner. A refocusing of the energy efficiency policies of the EU towards developing investment at scale is needed, particularly for buildings. The Juncker plan should make a substantial contribution to close this gap by focusing on this area.

Access to capital is key. The paradox is that we are in a period in which there has never been so much capital available on affordable terms, and yet this does not translate to more investments for renewables and efficiency. We therefore must follow a European de-risking strategy in order to improve investors’ confidence in these sectors and ensure the existence of a viable pipeline of projects.

¹ IEA, [Work Energy Investment Outlook 2014](#).

² In 2012, 10.8% of the EU population was unable to keep their home adequately warm in winter and 19.1% of the EU population was living in dwelling not comfortably cool in summer (Eurostat).

³ According to the impact assessment conducted by the European Commission, 40% energy savings would allow to reduce European gas imports by an equivalent 40%. Halving European gas imports is also a realistic objective according to recent studies ([Ecofys](#), 2014) and would make in 2030 the sum of energy savings and renewables higher than the sum of gas and oil consumption in 2013 (JRC, 2015).

⁴ For example, PV module prices were divided by five in six years (IEA, Medium-Term Renewable Energy market Report 2014).

⁵ Jean-Claude Juncker, [A New Start for Europe](#), 15 July 2014.

⁶ [Bloomberg Energy Finance](#), 9 January 2015.



I/ BOOSTING INVESTMENTS IN RENEWABLE ELECTRICITY PRODUCTION

1. The European Union has a robust legislative framework built from a long experience of supporting renewable energy development, and through its objectives established in the directive on the promotion of renewable energy sources.⁷ This directive establishes binding national targets for 2020, a framework for national support schemes, cross-border cooperation mechanisms⁸ and the removal of administrative barriers. Its implementation has been characterised by diverging approaches, with some countries introducing strong national support schemes and wider domestic support policies, including clear processes for periodic revisions to reflect realised costs and cost-reductions. In other member states, there have been retroactive regulatory and financial support changes which have critically affected investors' confidence and increased country risk premia. The specific conditions for project access to this capital subsequently vary widely across Europe with a Weighted Average Cost of Capital (WACC) range from 3.5% to 13%, the cost of debt ranging from 1.8% to 12.5%⁹ and a medium range of 6-8%. This reflects the different levels of actual and perceived planning risks, financial risk and political risk and are linked to risk premium specific to renewables, country-specific risks, grid access risks, technical and management risks and market risk...¹⁰ As a consequence, **the availability of capital is not an issue in itself, but Europe should engage in a de-risking approach** in support of its chosen energy strategy to address these issues and therefore reduce financial costs for renewable technologies.

2. **Part of the de-risking strategy is linked to the regulatory environment, that must be consistent and predictable.** If investors and promoters perceive regulatory risks from substantive unexpected changes, or worse, retroactive changes in policies, they will not invest. Investors will assess whether a policy is economically sustainable and therefore affordable – as this is a precondition to stability. At present there is a wide discrepancy among member states as to which ones are able to attract investment.

3. In addition, financial de-risking should **build on the experience of the European Investment Bank and of national promotional banks to make the best use the EFSI to reduce the cost of capital** especially in member states with high country risks. In line with the idea promoted in the Energy Union on enhanced macro-regional cooperation, new vehicles could be established at a regional level (i.e for the South-Eastern European region). Such guarantee instruments should be combined with instruments to help institutional investors entering more massively into the market of large renewable energy projects. Joint projects developed under the cooperation mechanisms foreseen by the directive on renewables could be offered privileged access to such guarantee funds.

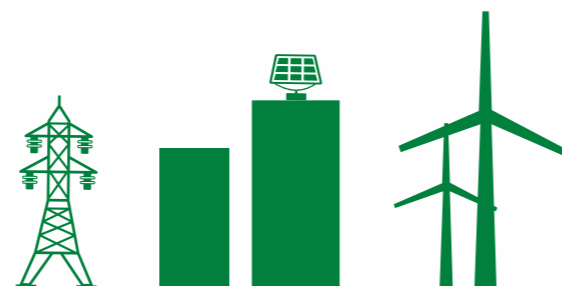
4. **Subsidies to fossil fuel technologies are harmful** as they delay emission reductions in Europe and are detrimental to a staged transition away from fossil fuel use. They also undermine the coherence of EU energy policy and send mixed messages on the role of renewables and efficiency. These subsidies should be clearly identified and removed immediately, and fossil fuel power plants and other thermal combustion plants should not be propped up artificially. Similarly, subsidies to nuclear power plants constitute another market distortion as the real cost associated to the usage of nuclear energy (safety, liability, waste management) are not fully borne by operators. To deliver a level-playing field, investors should be able to make their decision based on **scenarios of economic competitiveness and on the full internalisation of external costs** for all technologies, notably through a relevant carbon price under a revised Emission Trading System but also addressing other costs (e.g. waste management, health, environmental impact) that, as not internalised, are giving undue advantage to nuclear and fossil fuel plants.

⁷ Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources.

⁸ For example, Luxembourg concluded “statistical transfers” with Lithuania; other member states opened bilateral discussions to conclude similar agreements.

⁹ DiaCore, *Financing Renewables: comparison of cost of capital in 28 EU member states, 2015.*

¹⁰ DiaCore, *Financing Renewables: comparison of cost of capital in 28 EU member states, 2015.*



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5. Correcting these market failures is a necessity, but not sufficient, as the market structure itself needs to be corrected. The current market design is based on a wholesale energy-only market ruled by the merit order. It means that power plants with low marginal operational costs enter the market before those with higher ones. This model was designed at a time when fossil fuels dominated the power system. For a foreseeable future, the combination of a large share of renewables, low carbon prices and overcapacity is driving wholesale prices to a new low level and thus prevents proper return on investment for all supply options. In other words, during periods when the sun shines and the wind blows, electricity prices are so far below the average that renewable power plants cannot properly remunerate themselves. **This market design is not fit for renewables and should be adapted to the new reality where wind and solar are at the heart of the power system. The market design review is a critical window of opportunity** to deliver a system which rewards flexibility (interconnections, storage, demand-side management, flexible generation) and allows renewable energy sources to participate in all markets (pool, ancillary services, capacity services, short term balancing...). The communication from the Commission on this subject is a step in the right direction and should be followed by legislative proposals.

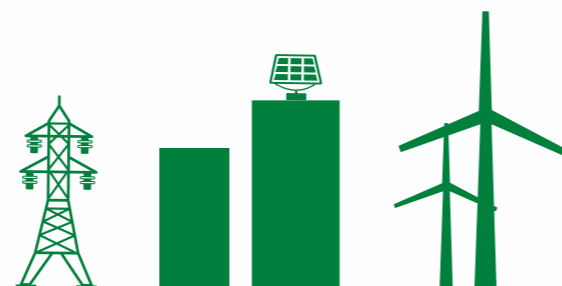
6. As a consequence, new support schemes for renewables are necessary. State aid guidelines progressively impose full auctioning and tendering procedures for renewable projects from 2017 onwards. This new approach needs to be carefully monitored, given the potential impact on the risk profile, particularly for project developers. The objective to promote competition through tendering procedures should be designed to **deliver the appropriate investment volumes at the lowest possible cost.**¹¹ In parallel, cases of State aid to coal and nuclear need to be fully investigated by the Commission.

New support schemes to emerge in Europe after 2017, in line with developments in many countries, should differentiate between large and small-scale projects:

- Large projects could be selected through auctioning or tendering procedures specific to competitive technology; each of them taking into account the maturity of each technology. This system should be assessed before it is generalised, in order to ensure that it actually delivers lower prices than other existing feed-in tariffs and premium.
- Large projects could be opened to different forms of financing, tailor-made for each situation, notably including institutional investors.
- Small-scale installations, most of them involving individual households, local communities and farmers, need to be protected by de minimis exemptions to continue benefitting from dynamic feed-in tariffs, as foreseen by the European Energy and Environment Guidelines. This would reduce the administrative complexity for small-scale investments and guarantee the participation of variety of actors.

7. Our energy system is evolving from a centralised to a de-centralised system, in which self-generation and distributed generation are called to play a bigger role. This includes renewable energies that generate heating, cooling and produce electricity. In order to complete the internal energy market, **a framework should be established that reaps the full potential for self-generation.** This includes the potential energy storage opportunities in buildings, favouring demand-side response mechanisms, balancing services and the roll-out of smart metering devices without imposing unfair charges and levies to self-consumers (or 'prosumers') while supporting the development of a smarter collection and distribution grid. A clear regulatory approach is needed in this area. Self-consumption should be included in the revision of the directive on the promotion of renewable energy sources, along with innovative approaches to community-funded projects.

¹¹ IRENA, *Renewable Energy Auctions: A Guide to Design*, 2015.



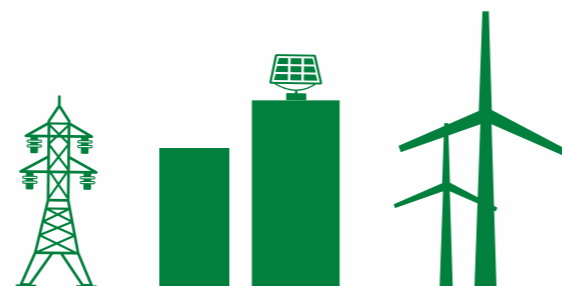
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8. The development of more renewables will require some back-up capacity or storage to cover the demand when renewable energy production is lower due to seasonal and intra-day variability. This can be addressed with the appropriate mechanisms as there is presently over-capacity in the European energy market. These mechanisms should consider demand-side management, storage and interconnections with neighbouring countries, notably those in the Balkan region, which display significant hydro storage potential. Preference should be given to the options that promote innovative solutions and cost reductions, rather than automatically supporting conventional power plants. Expansion should be underpinned by investments in smart networks and storage in the European Union, such as hydro storage opportunities in central and south-eastern European countries. In this regard, **already existing capacity payments need to be reviewed urgently** to ensure they are not artificially supporting the high carbon plants and restraining innovation in favour of institutional inertia. The investigation launched by the Directorate-General for Competition is a good initiative.

9. A key lesson learnt from the original renewable energy directive is that the adoption of ambitious and binding national targets for the penetration of renewables in the short to medium term has been the foundation for driving market growth, depending on strong implementation at the national level. This has also supported the overall economic recovery. The long-term picture up to 2030 is now less clear without **an ambitious goal to ensure strong domestic markets and a critical mass of demand**. This must be a core part of generating future European investments. A strong domestic market will also develop strong regional market players and act as a support platform to European companies penetrating export markets outside of Europe. The target of 'at least' 27% by 2030, proposed by the European Council, underestimates the considerable potential and does not enhance investors' confidence, particularly at this acute point at which a more fundamental change in the energy market is now broadly accepted as being underway.

10. Direct support for Research & Development (R&D) and innovation for renewables should be increased and reviewed periodically on the basis of medium to long term scenarios of the economic competitiveness of renewable energy sources with alternatives, taking into account environmental and social benefits. Emerging technologies, which are in the early phase of their learning curve, need direct public support for their research (e.g. marine energy). On the other hand, mature technologies (such as wind, solar and smart grids) need to be accelerated through indirect public support such as financial instruments. The balance between research, development and innovation investment and early market development support should be adapted to the specifics of each sector. This exercise should be coordinated by the European Commission, involving member states and the industry under the umbrella of the **Strategic Energy Technology (SET) Plan**.

11. The European Union should develop a programme to **support European renewable energy companies investing in developing and emerging economies**, based on the latter's needs. The renewable energy market in these countries is expanding quickly. European renewable energy companies are often discriminated against by competitors. This programme should support European companies to access these markets. Access to finance is often critical for these companies penetrating new markets. In addition, the European Union should promote the creation of export markets for European companies, including SMEs which do not have the same capacities as larger companies. This can be done via the creation of a global 'Juncker Plan' for investment in renewables in developing countries and the enlargement of the Covenant of mayors to cities worldwide. These financial and policy initiatives would allow large and middle sized cities throughout the world to invest in renewables and energy efficiency, contracting European companies to implement their projects. Parallel to this, the European Union could launch a programme in favour of the electrification of rural areas, notably in Africa, and of energy islands, building on the know-how of European leaders in this sector.



II/ BOOSTING INVESTMENTS IN ENERGY EFFICIENCY, AND RENEWABLE ENERGY SOURCES FOR HEATING AND COOLING

1. Energy efficiency is the “first fuel” for the European Union, and a pillar of the energy union is dedicated to moderation of demand with the objective to **“rethink energy efficiency and treat it as an energy source in its own right”**.¹² This implies considering energy efficiency as infrastructure to the same extent that supply-side investment is (long-lived capital stock providing input to a wide range of goods and services and freeing up capacity elsewhere in the economy). It is critical to underline the contribution of energy efficiency, and the energy savings it creates, in meeting our climate, energy security and competitiveness strategies. In order to deliver, public authorities should put in place appropriate frameworks to deliver scaled financing for investment in energy efficiency projects. Options for energy savings must be considered before financial support is provided for energy generation or transmission. Demand-side management measures are too often neglected although **the European Union can and should at least double its energy productivity**, subsequently requiring investments at least five times as high as they are now. With this objective in mind, the Energy Efficiency Financial Institutions Group (EEFIG)¹³ work is a milestone and can serve as a blueprint for policy makers when designing energy efficiency investment policies and programmes.

2. Individual energy efficiency projects, and especially those related to buildings renovation, tend to be made up of numerous diffused smaller projects and are therefore often considered more risky by investors. They also often require significant and uncertain up-front project development investments. The challenge of addressing high transaction costs and the need to aggregate investments mean that investors tend to favour financing large supply-side projects instead. We must find ways to develop multiple projects at scale, by standardising and re-grouping small projects into larger, bundled ones. This portfolio-type approach can also help spread risk of non-repayment of loans across a large number of projects. However there is insufficient technical capacity in many markets to develop and aggregate these projects and this prevents the greater allocation of resources from financial institutions into energy efficiency. A combination of regulation, technical assistance and financing incentives is required to support an efficient level of energy efficiency investments in Europe and this should be initiated through public expenditure. **Availability of sufficient**

public funds for project development assistance (PDA) and technical assistance (TA) to ensure a large pipeline of projects is critical, notably at European level through a strong European Investment Advisory Hub under the EFSI.

3. National Energy Efficiency Action Plans adopted by member states under the 2012 Energy Efficiency Directive¹⁴ must be comprehensive, and cover the whole spectrum of measures necessary to incentivise investment in renovation of the existing public and private building stock, in highly efficient new-build and in efficiency measures for the industry. It is the responsibility of public authorities to create an investment-friendly framework to attract the required investments in all of these sectors. Article 7 of the energy efficiency directive, which creates energy supplier obligations is an important instrument in this regard and the full implementation of energy management systems foreseen under article 8 of the same directive could result in significant benefits and business opportunities.

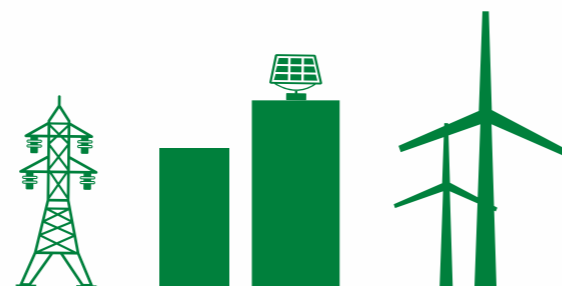
4. The introduction of near zero energy buildings (**nZEB standards for new buildings will transform the whole sector**). Its introduction is foreseen for 2021 for all new buildings by the Energy Performance of Buildings Directive.¹⁵ While the most advanced member states have included intermediary targets for new build up until 2021 and a financing plan in their roadmaps, other member states still need to build technical capacity to be ready for 2021. Member states should also reflect on near-zero districts or cities to allow cost savings. It requires the development of more demonstration projects including near-zero energy buildings and districts to draw from good practices, as well as financing schemes following a holistic approach.

¹² A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy, COM (2015) 80 of 25 February 2015.

¹³ EEFIG Final Report, *Energy Efficiency - The First Fuel for the EU Economy*, February 2015.

¹⁴ Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency.

¹⁵ Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings.



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5. The largest potential to save energy lies with the deep renovation of the existing buildings stock. In a context where the construction rate is projected to be low, the European challenge is to renovate existing building to the near-zero energy standard. **Public authorities must lead by example.** For this reason, National Energy Efficiency Action Plans should focus on improving the efficiency of existing buildings and public infrastructures through the implementation of large programmes in schools, universities, social housing and office spaces. For doing this, they can rely on instruments such as the European Energy Efficiency Fund.

6. The most obvious instrument to renovate existing private residential buildings is a **combination of regulation, technical assistance and third-party independent advice, financial support schemes combining tax incentives, low interest-rate loans and grants.** As for public buildings, the adoption of grant schemes and/or technical assistance measures to support this development is indispensable. Regulations and market push programmes should incentivise the adoption of the highest energy efficiency standards in all building renovation projects. These standards should mirror technological developments in the new-built sector. A systematic support, monitoring and verification of projects is required to guarantee that buildings works are executed to high quality standards and achieve the intended performance.

7. Energy service companies (ESCOs) and energy performance contracts can play a substantial role to increase investments in energy efficiency although to date, they have not reached their full potential. Therefore, **an effective ESCO market should be developed,** including a secondary market for energy service obligations, encouraging facilitation services between manufacturers, ESCOs and financiers, public/private approaches and providing a solution to the current accounting and procurement issues for energy performance contracts for public authorities and companies.

8. Building upon existing grant and loan schemes and with the establishment of a market for energy savings obligations, access to finance is an additional pillar which needs to be developed. Financial instruments targeting and tailored for energy efficiency investments can play an important complementary role, particularly to mobilise high levels of investment in an efficient way. Typically, **guarantee funds are part of this de-risking strategy.** Such funds should at first be established by public authorities and national promotional banks following the model of the European Fund for Strategic Investments (EFSI)¹⁶ and the structural funds. The key challenges for investments in this sector are the fact that they may have long maturities and include intangible unsecured assets that commercial banks may be reluctant to finance. Guarantee funds can therefore cover first losses stemming from these loans and thereby lower the cost of capital for energy efficient renovation.¹⁷ A shift from a “business to consumer” to a “business to business” financing model could ensure the transformation of the EU building stock from energy consumption to energy generation. The replication of existing initiatives that are delivering positive outcomes, such as KfW,¹⁸ KredEx¹⁹ and EIB funds and programmes at European level and the Green Climate Fund at global level, should be encouraged.

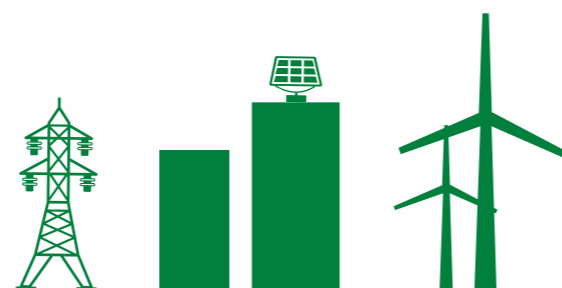
9. Public authorities should also offer incentives to improve **energy efficiency in the industry sector,** including for the benefit of SMEs and midcaps, through greater promotion of energy management systems with appropriate financing, fiscal or accounting support. Beyond such incentives, it should also be mandatory for companies to implement the cost-effective measures recommended by energy audits conducted on their sites.

¹⁶ For example, Germany’s public investment bank, KfW, committed a total of EUR 16 billion to energy efficiency in Germany in 2013, and the European Investment Bank (EIB) provided EUR 2.1 billion across the European Union. France’s Caisse des Dépôts committed EUR 453 million to energy efficiency in 2012 and the United Kingdom Green Investment Bank provided EUR 181 million. Green investment banks (GIBs) are being established in several countries, (IEA, [Energy Efficiency Market Report 2014](#)).

¹⁷ JRC, Energy renovation: The trump Card for the New Start for Europe, 2015.

¹⁸ KfW energy efficiency programme in Germany.

¹⁹ KredEx fund in Estonia.



II/ BOOSTING INVESTMENTS IN ENERGY EFFICIENCY, AND RENEWABLE ENERGY SOURCES FOR HEATING AND COOLING

10. Renewables for heating and cooling account for a substantial part of the total renewable development objective as today, heating and cooling in buildings and industry account for approximately 40% of final energy consumption.²⁰ Heating and cooling projects display characteristics similar to energy efficiency projects in the built environment and should be treated similarly. Up until now their development has been much slower than initially expected. Accelerating the development of these thermal renewables is a significant under-served opportunity, linked to industrial and commercial energy and productivity strategies. It requires the **acceleration of the renovation of old and inefficient oil and gas heating** (or the building of new ones) and the encouragement to **fuel-switch to solar thermal, geothermal and/or sustainable biomass**.²¹ It also requires investment in district heating systems, notably through structural funds. These priorities should be developed and supported in the upcoming heating and cooling strategy announced under the Energy Union. It has to be noted that the renovation and potential expansion of district heating and cooling systems must take into account the renovation of the building stock and its resulting reduced energy demand to avoid stranded assets. Europe should also promote systemic innovation in the built environment and synergies with IT systems (e.g. smart homes).

11. Joint investments in renewable energy for heating and cooling, in fuel-switching to clean energy solutions as well as in the broader efficiency sector is a significant opportunity that support a strong and competitive industrial and commercial strategy, notably for SMEs. They are also clearly part of the aim to deliver high-quality jobs across Europe. **Increased investment in these sectors will require a well-qualified and substantial workforce.** As part of fostering these new skills, the European Union should develop and implement training programmes focusing on efficiency and renewable technologies and services, so that up-skilled workers, engineers and craftsmen can provide comprehensive and trustworthy offers to private and commercial customers.

12. This should go hand in hand with **capacity-building efforts for local actors** (especially in cities) and **awareness-raising campaigns** to spread the “energy efficiency culture”. There is a core role for municipalities and local governments in the energy transition, as demonstrated by the Covenant of Mayors, through the implementation of efficiency policies and programmes at local level, as they are well-versed in the local context and have the trust of local communities.

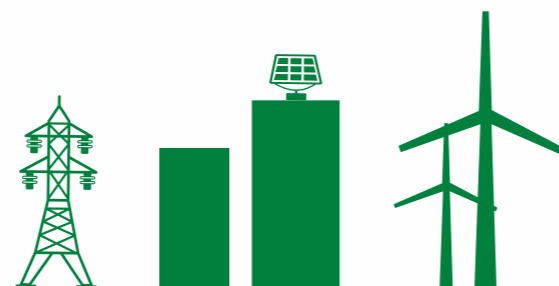
Conclusion

Increasing European investments in renewable energy and energy efficiency are not only necessary to deliver on our climate change objective, but also an opportunity for energy security, competitiveness, and industrial and socio-economic policies. In a period in which affordable capital has never been so widely available in Europe, decision-makers should urgently address the other factors that prevent these strategic investments. This requires a comprehensive de-risking strategy involving a stable regulatory framework, a strong domestic market, support for export opportunities, technical assistance, carbon pricing, accounting and procurement solutions and workforce adaptation at scale. However, all these elements are ineffective without a strong, clear and constant political commitment to support ambitious 2020, 2030 and 2050 decarbonisation objectives. For these reasons, the Luxembourg Declaration is also a call for policy makers to re-affirm their commitment to European climate, renewable energy and energy efficiency targets and to reinforce Europe’s role-model in the global context, supporting efforts initiated under G20, G7, G8 and the OECD²² and under the UNFCCC ahead of the climate conference in Paris (COP 21).

²⁰ IEA, Energy Technology Perspectives 2015.

²¹ Based on solid EU sustainability criteria.

²² Corfee-Morlot, J. et al. (2012), *Towards a Green Investment Policy Framework: The Case of Low-Carbon, Climate-Resilient Infrastructure*, OECD Environment Working Papers, No. 48



Key policy recommendations to European and national policy makers

On renewables

- Adopt ambitious and legally binding EU and national targets for the deployment of renewable energy sources by 2030
- Within the renewables directive, develop consistent, stable and predictable national support schemes and policies for renewables, based on well-designed technology-specific auctions for large projects and feed-in premium for small projects
- Support the full internalisation of all external costs for all power generation technologies
- Phase out subsidies to fossil fuel and nuclear installations and avoid capacity mechanisms which do not allow demand-side management and storage options to compete with supply-side options
- Review the current electricity market design to allow renewable energy sources to participate in all markets
- Develop a regulatory framework incentivising electricity self-generation
- Actively support European technology and service companies in their attempt to penetrate foreign markets

On energy efficiency and heating and cooling

- Adopt ambitious and legally binding EU and national targets for energy savings by 2030
- Acknowledge that energy efficiency is the first fuel for Europe and should be treated as an infrastructure investment to the same extent as supply-side options are; design national strategies aiming to reap the potential of energy savings through renovation schemes in all type of buildings as well as upgrade of facilities and processes in industry
- Elaborate long-term buildings renovation roadmaps and offer the right blend between loans, grants and fiscal incentive to incentivise the renovation of existing buildings stock, completed by financial instruments (such as guarantee funds) to lower risks
- Anticipate the implementation of and support large demonstration projects on near-zero energy buildings for new built while reflecting on near-zero energy districts and cities
- Make technical assistance available to help project promoters, especially local public authorities, bundling small projects into larger bankable ones
- Implement up-skilling training programmes for the workforce as well as awareness-raising programmes directed to citizens
- Accelerate the development of thermal renewable energy sources (solar, geothermal, sustainable biomass) through efficient individual and district heating solutions

Methodology

This document is the result of an extensive consultation process with experts showing past and ongoing work experience within public administration, financial institutions, banks, civil society and international organisations. Some of the following experts contributed in whole or in part to this report, although it does not necessarily reflect the views of any individual or the institutions they belong to:

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