

## Energy Transition: A Multifaceted Challenge for Europe

### 2<sup>nd</sup> Symposium: How can the EU tap into the building sector's potential for energy efficiency?

#### - Report -

*By Quentin Genard, Associate Fellow, Egmont Institute*

On October 11<sup>th</sup>, 2016, Egmont – The Royal Institute for International Relations and the Development Group co-organised the 2<sup>nd</sup> Symposium of the 2016 series of events dedicated to the European Energy Transition. Together with representatives from the business and diplomatic sectors as well as key stakeholders from civil society, representatives from the European Commission and the European Parliament discussed how the European Union can tap into the building sector's potential for energy efficiency.

#### Keynote address

**Theresa Griffin**, Member of the European Parliament representing the North West of England, has opened the symposium by recalling the multiple benefits of energy efficiency. It is notably the cheapest option to reduce greenhouse gas emissions in line with the Paris Agreement. Improving energy efficiency has concrete impacts on the daily life of the European citizens by contributing to the regeneration of entire cities, as witnessed in her constituency. Building refurbishment is the most sustainable way to lift people out of energy poverty – a theme championed by Theresa Griffin in her parliamentary report “A new deal for consumers” earlier this year.



She insisted on the repeated calls by the European Parliament for the adoption of a binding 40 percent energy efficiency target in the upcoming revision of the energy efficiency directive. The entire framework needs to be fit for purpose. She called on the Commission to propose ambitious and binding governance arrangements for the post-2020 period, with a focus on investors' certainty and the need to link local benefits with European legislation.

#### Session 1: Will the legislative package close the energy efficiency gap in buildings?

**Arianna Vitali Roscini**, Policy Officer at WWF European Policy Office, started her intervention with recalling that, according to the International Energy Agency World Energy Outlook of 2015, three quarters of the emissions reductions needed in Europe to put the world on line with the IEA's bridge scenario will come from energy efficiency, with about half of it coming directly from the building sector.



To reach that level of ambition, she argued that the Commission has missed an opportunity with the revision of the EPBD by not choosing the most ambitious scenario that would lift 19 million people out of energy poverty. Finally, she concluded that four elements need to happen for energy efficiency to be rolled out at scale: put efficiency first and adopt a 40% binding energy savings target for 2030, set a measurable 2050 objective aligned with decarbonisation and energy savings potential, introduce renovation obligations at a

trigger point, e.g. renting or extension, and finally strengthen the energy performance certificates scheme.

The second speaker, **Harry Verhaar**, Head of Global Public and Government Affairs at Philips Lighting, placed the need for energy efficiency in the broader landscape by presenting some key trends. The current demographics and the growth in global population coupled with ever-growing urbanisation and the increase in wealth in the middle class lead to a resource challenge. Despite improvement in energy efficiency, energy demand is still growing twice as fast (3% *p.a.*) as the global rate of energy efficiency improvements (1.5% *p.a.*). This is the 3% challenge.

For him there is no doubt the energy efficiency market is driven by regulation. Hence, to solve that challenge, European policy-makers need to set an energy savings target of at least 30% binding in 2030 in the energy efficiency directive and re-commit to carbon neutrality by mid-century.



They should also focus on eliminating barriers to investments, as for example the current accounting treatment of energy efficiency, and putting in place drivers for energy renovation. H. Verhaar supported the idea of using trigger points, such as a change of ownership or tenancy to boost renovations. He finally underlined the need of a vision for the building stock, arguing for Nearly Zero Energy Building stock by 2050 and set a roadmap and milestones in 2030 and 2040 to achieve it.

The last speaker of this panel, **Yamina SAHEB**, Senior Energy Policy Analyst at OpenExp, presented her report on the energy transition of the EU building stock. There are 14 different instruments at European level that impact buildings renovation. This fragmentation hinders the development of the sector. The climate instruments (European Trading Scheme and the Effort Sharing Regulation) are the most promising tools/means to scale up renovation rates as they include more binding measures than energy legislation. Unfortunately, misalignment between policies and the lack of earmarking of the funds reduce their capacity to drive change.



She outlined the danger of a business-as-usual scenario that would include revising each instrument separately. The maximalist option would be to merge all instruments into a single, streamlined and integrated investment for climate and energy framework based on the Efficiency First principle,

specifically setting energy and carbon reduction targets for buildings, imposing Net Zero Energy consumption requirements when buildings are renovated and prioritising investments in energy transition in economic decisions.

The moderator of this panel, **Frauke Thies**, Executive Director at the Smart Energy Demand Coalition, highlighted the points of convergence between the speakers concerning the multiple benefits of better energy efficiency in buildings and the need for more than just ambitious targets that remain a must-have. She asked the speakers provocatively whether energy efficiency is in competition with renewable energy deployment. The panellists agreed that energy efficiency and renewable energy are like twins that can deliver exceptional results provided they work together. They also agreed that the climate challenge is so important that Europe needs an ‘all hands on deck’ approach.



**Session 2: Looking beyond legislation: what further measures need to be taken to tap into the buildings’ full potential?**

**Erica Hope**, EU Affairs Manager at the European Climate Foundation, opened the second panel with a presentation focused on the role of consumers in driving building regeneration. Householders will retrofit their buildings if they are offered an attractive front-end proposition, including affordability and possible peer pressure and encouragement. Energy efficiency has to become trendy. The renovation



market in 2015 was EUR 109 billion and it can potentially double by 2030, creating more innovation in industrial processes, business models and customer offers.

She called on policy-makers to treat buildings as part of the broader infrastructure. Energy efficiency can provide the same economic returns as other forms of infrastructure. Integrating energy efficiency in infrastructure planning will also reduce the risk of stranded assets. As a consequence, it would have to include energy efficiency programmes within capital expenditure budgets rather than operational budget, hence assessing appropriately the multiple benefits of energy efficiency. It would also help moving away from the current treatment of energy efficiency by Eurostat. Finally, she called on the Commission to fulfil the promise made to put Efficiency First.

Managing Director and Member of the Board at DENEFF, **Martin Bornholdt**, concurred, underlining that policies are a strong foundation of the energy efficiency market. Indeed, a study conducted by DENEFF showed that the most important stimulus for the sales market is the policy framework conditions. The three priorities are to set a binding energy efficiency target, strengthen the energy efficiency obligation scheme and to improve the conditions for energy efficiency services.



An ambitious target is paramount for energy efficiency: a non-binding target is does not support the investment planning of energy efficiency businesses. For the association, the obligation scheme promoted by the EED is a powerful instrument but the Commission needs to close the loopholes: vague eligibility criteria do not drive ambition while extraneous policies can be counted as delivering energy savings without proofs. The Commission should pay extra attention to market and legal barriers to energy services. He insisted on the quality of the services provided to the consumers, the rise of new business models and the research & development opportunities offered by a flourishing market.





The last speaker, **Laurent Reber**, Development Director for Synergies at EDF, presented his vision of the future: smart and electric buildings. The society is undergoing massive technological change thanks to the rise of sensors and the digitalisation of the economy. He underlined that providing more information to consumers have led to a reduction of 10% to 15% of the monthly energy consumption. Electricity is currently at the heart of the energy ecosystem as it provides flexibility to a system that definitely needs it. There is no

doubt, in his mind, that the focus needs to be on both supply-side investments and the improvement of the demand side.

L. Reber highlighted the need for measuring progress in both primary and final energy to correctly grasp the progress made. EDF has established some partnership with, for instance, the foundation Abbé Pierre to renovate buildings inhabited by very fuel poor population. Finally, energy services companies represent a business model that needs to be encouraged and developed further but he insisted that the quality of the intervention needs to be of the highest standard otherwise it will be counter-productive for market development.

The final discussion was moderated by **Monica Frassoni**, President of the European Alliance to Save Energy. She underlined the importance of having well-designed regulations apt to drive the demand for energy efficient products. Furthermore, she underlined the need to have a strong narrative together with the analysis of market barriers and the will to overcome them. She questioned the members of the panel about their silver bullet to convince people about energy efficiency. All recognised the importance of regulation and the multiple benefits energy efficiency can deliver.



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