

Energy Efficiency and its contribution to energy security and the 2030 Framework for climate and energy policy

Later this week, the European Council is scheduled to take a final decision on the new climate and energy policy framework at its meeting on 23/24 October 2014. On the table is a new energy efficiency target of 30% for 2030 – proposed by the EU in its [Energy Efficiency Communication](#). The Communication assesses the EU's progress towards its 20% energy efficiency goal for 2020 and analyses how energy efficiency can drive competitiveness and strengthen security of supply in the European Union in the future.

With current measures the EU is on track to achieve energy savings of 18-19% by 2020 – but existing legislation must be enforced across member states in order to reach the 20 % energy efficiency target by 2020.

Recent developments, most notably the Ukraine crisis, are a stark reminder of the vulnerable situation of the EU in relation to energy security and gas imports in particular. The recent [European Energy Security Strategy](#) points to the role of energy efficiency as means to improve the Union's security of supply - every additional 1% in energy savings cuts gas imports by 2.6%.

We know that, in order to grow the energy efficiency investment market:

- The full benefits of energy efficient refurbishments of buildings must be promoted; such as effective stimulus for local economies, lower bills for occupants as well as health benefits and better indoor air quality, lower CO₂ emissions and increased energy security.
- Standards for Energy Performance Certificates and energy performance buildings regulations must be strengthened.
- Developing standards for each element – such as legal contracts, procurement procedures, measurement, verification, reporting, and insurance - in the energy efficiency investment process will help to grow the market and lower finance and transaction costs.
- Use of EU Structural and Investment Funds and Emissions Trading Scheme revenues through public-private financial instruments will boost investment and help accelerate the engagement of private sector finance.

In the EU budget for 2014-2020, the commitment to energy efficiency has significantly increased. A minimum of €38 billion will be available for low carbon economy investments under the European Structural and Investment Funds 2014-2020 – and this sum will be multiplied by national and regional co-funding and by attracting private capital. The use of financial instruments in the ESI Funds for 2014-2020 is strongly encouraged, for instance through the renovation loan¹.

Synergies also exist with Horizon 2020, the EU Framework Programme for Research and Innovation where around EUR 1 billion is allocated to energy efficiency in the period 2014-2020. In that context, H2020 includes Project Development Assistance (PDA) facilities to help project promoters develop a credible pipeline of innovative financing solutions and bankable projects for energy efficiency in the EU. Although PDA facilities do not fund investments directly, they have proven to be highly effective tools to bridge the gap between

¹ The renovation loan is aimed at combining public and private money to finance investment in energy efficiency (or renewables). The programme contribution for the instrument is typically between EUR 5 million and EUR 30 million. The renovation loan can provide access to finance at preferential conditions and provide for loans up to 20 years maturity.

plans and real investments. The typical activities funded under PDA cover feasibility studies, stakeholder mobilisation, financial engineering, business plans, technical specifications or procurement procedures. PDA facilities include for instance the ELENA facility implemented by the European Investment Bank. EUR 148 million has been earmarked for project development assistance^[1] support. So far, EUR 81.2 million has been provided to 56 projects, expected to lead to investment worth EUR 4.032 billion.

Founded in 2011, the [European Energy Efficiency Fund](#) (eeef) demonstrates how sustainable energy projects can be profitably financed using innovative financing solutions. The eeef has progressively established a solid track record of investments (net profit registered in 2013²) and will now actively look for additional senior investors to leverage further the EU contribution.

The Energy Efficiency Directive recommends that member states set up financing facilities for energy efficiency; and with many national and regional sustainable energy investment funds appearing across the EU, the EEEF can be regarded as a role model fund for using a range of innovative financing to enable public authorities to carry out their sustainable energy projects and accelerate Europe's transition to a low carbon society.



Paul Hodson
Head of Energy Efficiency Unit, DG Energy
European Commission

^[1] Implemented under the ELENA Facility (through the EIB, KfW, EBRD and CEB) and the "Mobilising Local Energy Investments" strand of the IEE Programme (through EACI/EASME). The grant support is provided to public authorities to develop and launch sustainable energy investments, with a minimum leverage (EU grant to total investment launched) of 1:20 and 1:15, respectively.

² See annual report for more details :

http://www.eeef.eu/tl_files/downloads/Annual_Reports/EEEF_Annual_Report_2013.pdf