



Prospect+ - the scale of the challenge

Energy policy update REPowerEU and Fit-for-55

2 March 2023

EED – RED – EPBD
REPowerEU
Energy efficiency financing

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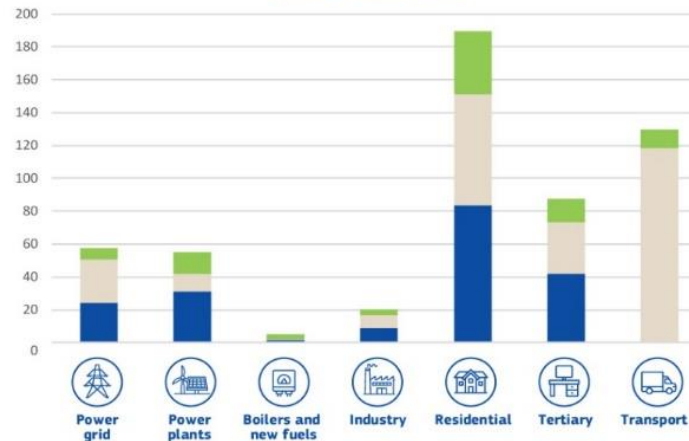
Political context - EGD

Climate Target Plan

- Published in September 2020
- Underpinning **European Climate Law** and its **binding objective** of reducing 55% GHG emission by 2030

- Additional to achieve -55% greenhouse gas reductions, 2021-2030
- Additional under current 2030 policies in 2021-2030 compared to 2011-2020
- Historic annual investments in the energy system 2011-2020

Average annual investment 2011-2020 and additional investment 2021-30 under existing policies and to achieve -55% greenhouse gas emission reductions (in billion EUR 2015)



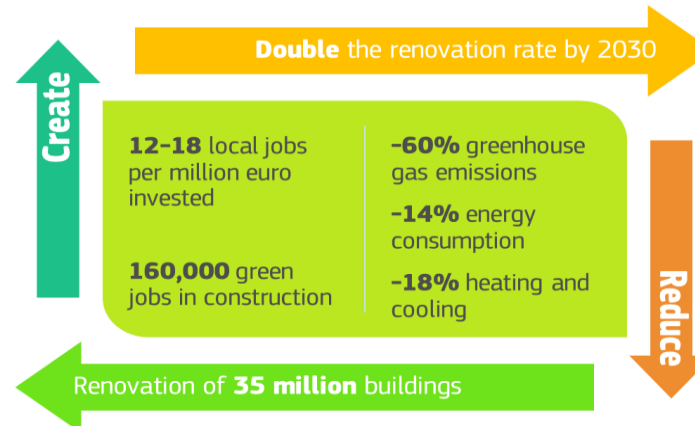
Fit for 55

Legislative revision package implementing the European Green Deal, proposed by the Commission on 2021



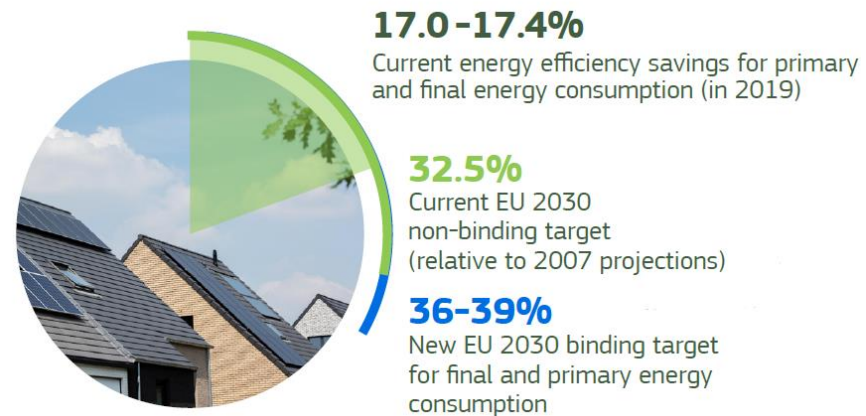
Renovation Wave

- Published in September 2021
- Objective: (1) **double building renovation rates** in next 10 years, (2) **increase energy and resource efficiency** of building renovations



Revising the Energy Efficiency Directive

- Updated **binding EU energy efficiency target of 9% reduction (13% in REPowerEU)** in primary and final energy consumption (against 2020 reference scenario)
- **Indicative Member State contributions** to the EU-level energy efficiency target
- Strengthen annual **national energy saving obligations** (e.g. white certificates) to 1,5% and exclusion of savings from direct fossil fuels combustion
- Update the definition of **energy efficient district heating and cooling** (with specific timeline to phase-in larger share of RES and waste-heat), and introduce **local heating and cooling plans** for municipalities (over 50.000)
- Increase the **exemplary role from the public sector**: annual reduction of 1.7% of public sector energy consumptions and increase the annual renovation rates to 3% of the public buildings over 250 m².
- Reinforcement of the **Energy Efficiency First Principle**, guidelines and recommendations for application
- Introducing measures to alleviate **energy poverty and boost consumer empowerment**
- Reinforces **provisions on financing** to leverage further private capitals



EED - Article 28

Member States shall:



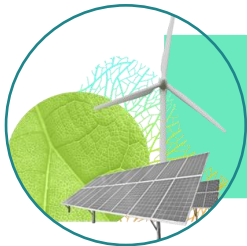
Maximize the benefits of multiple streams of financing for energy efficiency: combining grants, financial instruments and technical assistance and increase cost-effectiveness of public budget support

Lay-down the Commission strategy for energy efficiency financing toward 2030



Set up project development assistance mechanisms at national, regional and local levels to promote energy efficiency investments and develop a robust pipeline of bankable investment projects

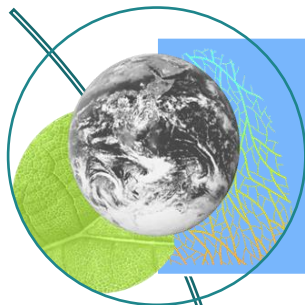
Upcoming products:
Guidance to Article 28
Guidance to unlock private investments
Report to co-leg on EE financing landscape
Reporting requirements on EE financing in the fwk of NECP(R)S



Ensure that energy efficiency lending products are offered widely and in a non-discriminatory manner by Financial institutions, and facilitate the implementation of on-bill and on-tax financing schemes

The objective being to create new (and/or enhance the existing) sources of public or private financing and increasing the financing supply for energy efficiency investments

Exemplary role of public sector: Articles 5-7



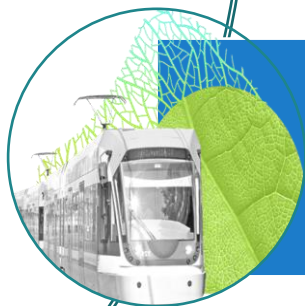
Annual reduction of energy consumption of 1.7% in public sector (MS to select public bodies)



Annual renovation of 3% of useful floor area of public buildings above 250 m²

Applicable to all public administration levels

Alternative approach removed



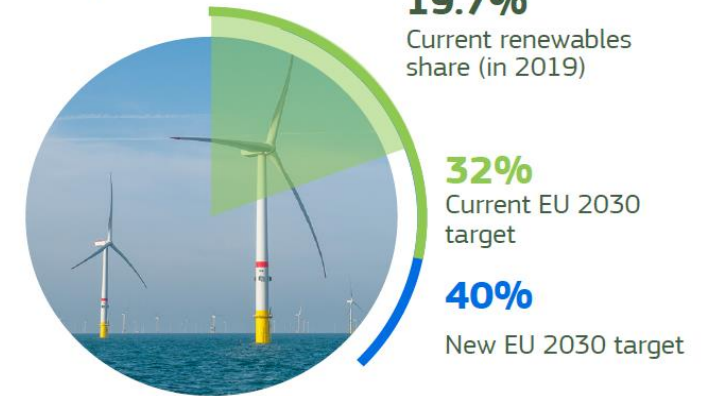
Take into account energy efficiency requirements and focus on EE1st in public procurement for all public administration levels



Revising the Renewable Energy Directive

- Increase **RES target by 2030 to 40% (45% in REPowerEU)**
- Increased renewables ambition in key sectors: **heating and cooling** (mandatory annual increase of 1.1% RES share), transport, industry, **buildings** (indicative 49% RES share by 2030)
- Boosting the deployment of and the investment in renewable energy, including **small-scale RES in buildings**
- Sustainable **bioenergy** reinforced criteria in line with the EU Biodiversity Strategy
- Measures to foster Energy System Integration and consumer empowerment, including via **Renewable Energy Communities**
- Complementing REPowerEU targeted amendment on accelerating **RES permitting, overriding public interest, and ‘go to areas’**
- Provisions to increase uptake of **RES in centralised district heating and cooling systems**
- Increased role of **RES energy communities**, self-consumption, prosumers

Renewables in the EU energy mix



Revision of the Energy Performance of Buildings Directive - Focus areas

Renovation

- Minimum Energy Performance Standards
- Energy Performance Certificates
- National Building Renovation Plans and renovation passports for individual buildings

Decarbonisation

- Introduction of zero-emission buildings as new standard for new buildings
- Consideration of whole life cycle carbon
- Phasing out incentives for fossil fuels and new legal basis for national bans

Financing

- Sustainable finance and energy poverty alleviation
- Energy Performance Certificates database
- Deep renovation standard
- Renovation passports for individual buildings

Modernisation & system integration

- Infrastructure for sustainable mobility
- Smart Readiness Indicator
- Indoor air quality: ventilation and other technical building systems

Minimum energy performance standards

Article 9

- Key feature: **trigger for renovation**
- Union-wide standards to **phase out worst-performing buildings**
 - Public and other non-residential buildings: at least EPC class F by 2027 & EPC class E by 2030
 - Residential buildings: at least EPC class F by 2030 & EPC class E by 2033
- Member States to set up timelines for further improvement of their building stock in their building renovation plans
- **Supporting framework** with a focus on financing and monitoring of social impact

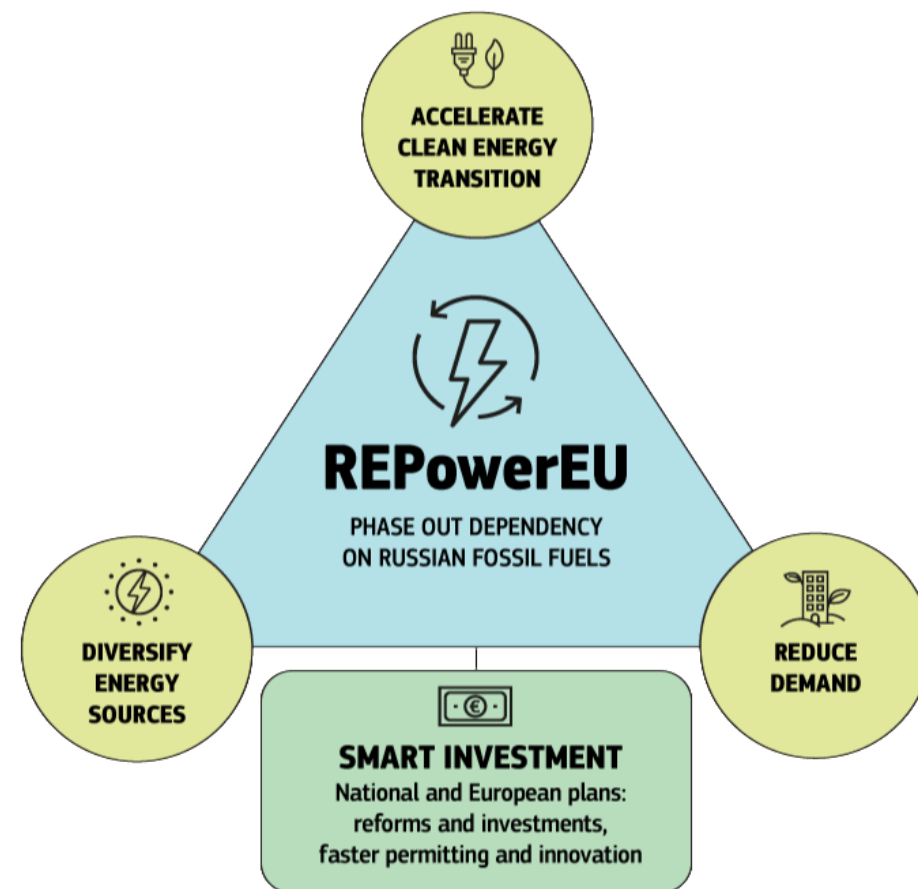
REPowerEU: from goals to actions

Independence from Russian fossil fuels by 2027

- Increase imports of **liquefied natural gas** (LNG) by 50 bcm
- Increase **pipeline gas** imports by 10 bcm
- Increase **biomethane** production by 3.5 bcm
- EU-wide **energy saving** to cut gas demand by 14 bcm
- **Rooftop solar** to reduce gas demand by 2.5 bcm
- **Heat pumps** to reduce gas demand by 1.5 bcm
- Reduce gas demand in the power sector by 20 bcm by deployment of **wind and solar**

Increase the target of renewable energy from 40% to **45%** by 2030

Increase the target of energy savings from 9% to **13%** by 2030



Complemented by:

- [EU Save Energy Communication](#)
- [EU Solar Energy Strategy](#)

REpowerEU – Additional short-term measures to address energy supply and high energy prices

Save Gas for Safe Winter:

- to address short-term natural gas supply disruption
- Introduce **European Gas Demand Reduction Plan** to be prepared by MS by end of October 2022
- to help MS **reduce gas demand by 15%** from 1 August to 31 March 2023 and to prioritise sectors for savings
- Introduce **new coordination mechanism** based on Union and national *Early Warning, Alert and Emergency*.

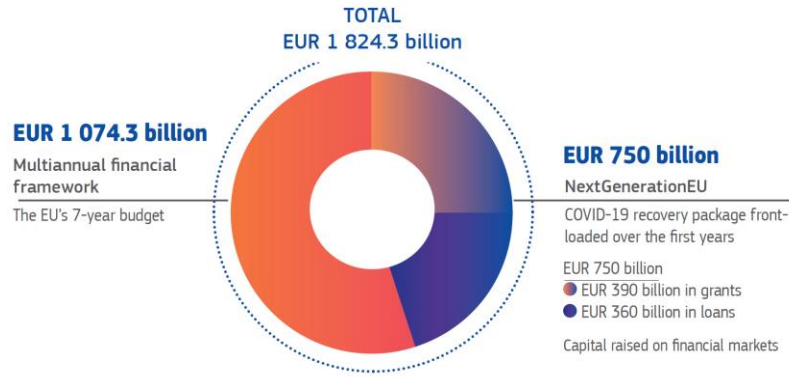
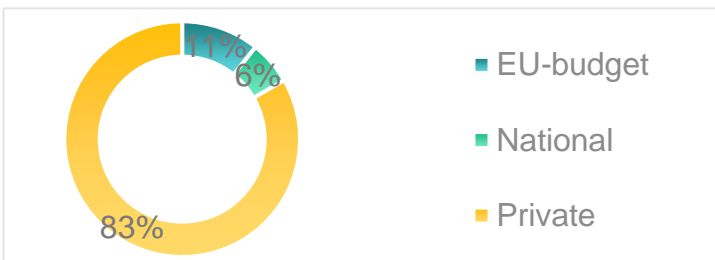
Emergency intervention for high prices:

- to address short-term volatility and uncertainty in the energy markets, with three tools:
- **Reduce electricity consumption:** reduce overall demand of 10% (target) and peak hour demand of 5% (obligation)
- **Revenue cap for low-cost power generation fixed at 180 €/MWh:** MS able to generate €117 billion to mitigate high energy prices
- **Solidarity contribution from fossil fuels companies collected** on 2022 excess profits, to help generate addition €25 billion
- Complemented by **Market Correction Mechanism**

Finance for energy efficiency

Investment needs

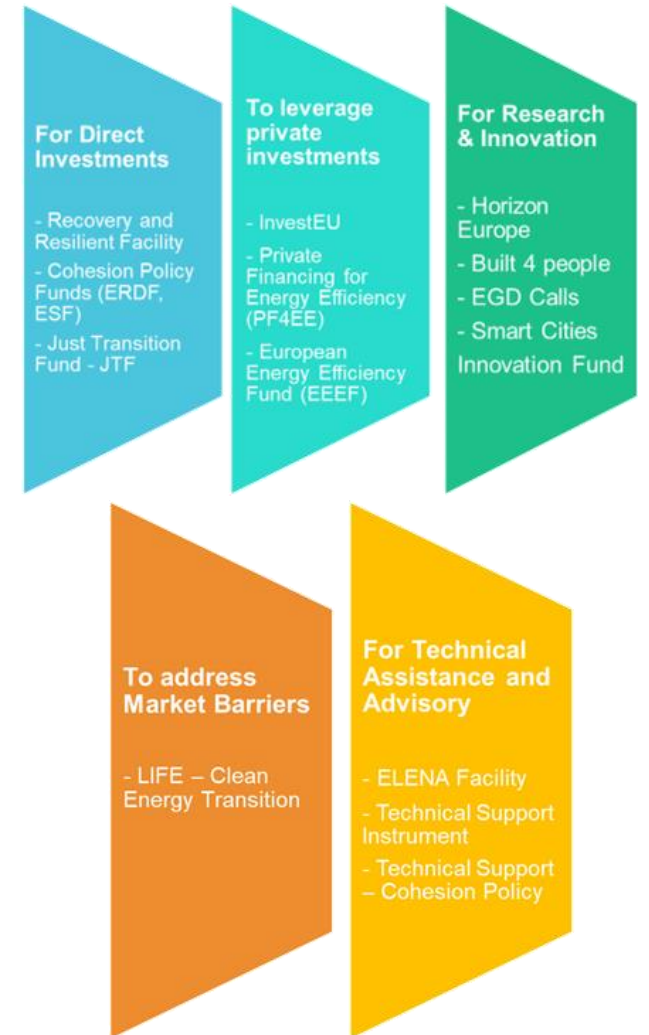
- **FF55 package** estimate an **additional annual investment** need to achieve 2030 energy efficiency targets at **around 165€bn**.
- **REPowerEU: REPowerEU: Additional 300€bn investments from now until 2030** (210€bn the end of 2027) to phase-out dependence on Russian fuels.
- **Climate Target Plan:** estimate an additional total investments of 3.000 billion € to achieve **2030 Energy and Climate targets would amount**.



Financial resources

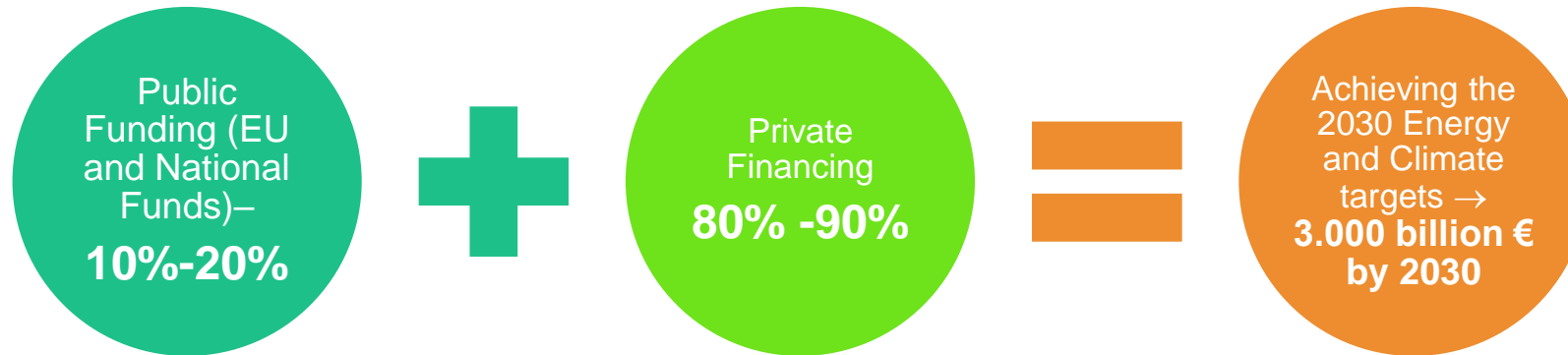
- Out of the total 1.800€bn (NGEU + MFF 2021-2027), more than 30% of these resources, **around 626€bn**, earmarked to **deliver the climate goals** of the European Green Deal.
- While there is **no earmarking for energy efficiency**, EU-budget support (MFF, RRF, ETS revenues) for energy efficiency could be estimates **around 120 to 150€bn**.
- National **financial support vary significantly across Member States**, at EU-level we can expect 100€bn from national budgets.
- **KEY:** Cost-efficient use of public funding for **private capital mobilisation**

EU-funding landscape



Energy Efficiency Financing

Leveraging private financing and investments is conditional to achieve the Union's climate and energy targets.



Drivers:

- **Public Funds as a catalyst for private investments** (grants models are insufficient).
- Combination of grants, financial instruments and technical assistance
- Development of financing schemes at scale/innovative/performance based (On-tax and On-bills, energy performance contracting, pay-for-performance, pay-as-you-save, etc).
- Project development assistance (e.g. replicating ELENA model) and technical assistance (ELENA, LIFE PDA), support to One-Stop-Shops for integrated home renovation
- Stimulate demand, including removing up-front costs, with measures that can be sustained over time.
- Development of energy efficiency lending products (EEM, Green Loans, etc).
- Strengthen the cooperation with financial institutions (EEFIG Coalition)
- De-risking investments

Thank you

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