



PROSPECT+ Webinar

8 September 2022

REPowerEU and Fit-for-55 latest policy developments

Upcoming challenges and the scale of sustainable energy investment needs

Fit for 55 Package

EED – RED – EPBD

REPowerEU

Sustainable energy finance

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1. Fit-for-55 legislative revisions

Energy Efficiency Directive (EED)

Renewable Energy Directive (RED)

Energy Performance of Buildings Directive (EPBD)

Climate Target Plan

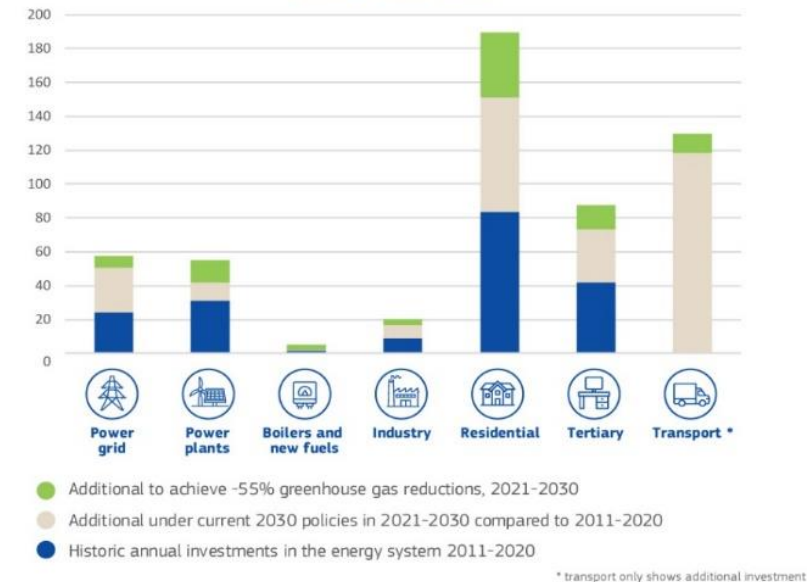
The **Climate Target Plan** published in September 2020 shows that “at least 55% target” by 2030:

- 1) is feasible;
- 2) will put us on the right trajectory towards climate neutrality;
- 3) requires more effort and contribution of all sectors of economy.

The Climate Target Plan prepared the ground for the **European Climate Law**, adopted by the European Parliament and the EU Council in June 2021:

- binding 2030 target to achieve – 55% GHG emission reduction;
- Process for setting a 2040 climate target;
- Commitment to negative emissions by 2050.

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)



Climate Target Plan – Investment Challenge

The Fit for 55 Package – Overview



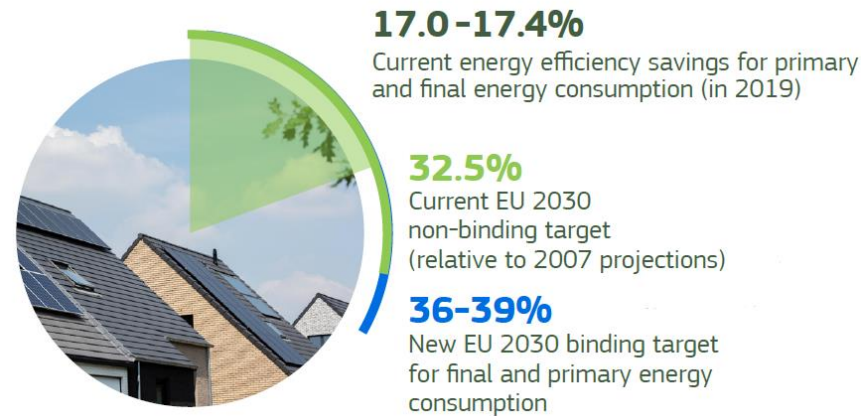
The package aims to make the EU 'fit for 55' and **deliver the transformational change** needed in a

- **fair,**
- **cost-efficient** and
- **competitive way.**

It cements the **EU's global leadership** by action and by example in the **fight against climate change.**

Revising the Energy Efficiency Directive

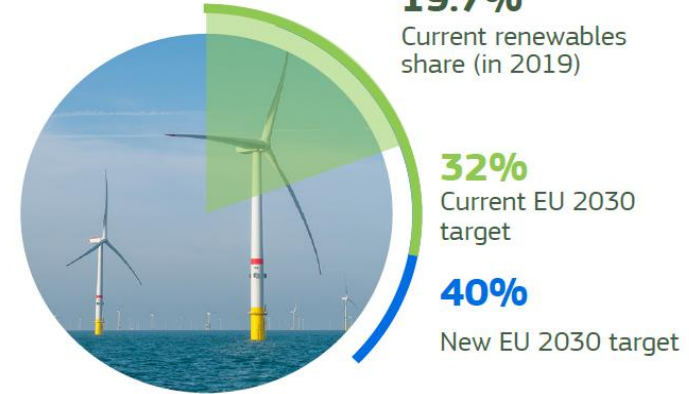
- Updated **binding EU energy efficiency target of 9% reduction** in primary and final energy consumption (against 2020 reference scenario)
- **Indicative Member State contributions** to the EU-level energy efficiency target
- Strengthen annual **national energy saving obligations** (e.g. white certificates) to 1,5% and exclusion of savings from direct fossil fuels combustion
- Update the definition of **energy efficient district heating and cooling** to promote RES, 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



Revising the Renewable Energy Directive

- 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**

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

2. REPowerEU

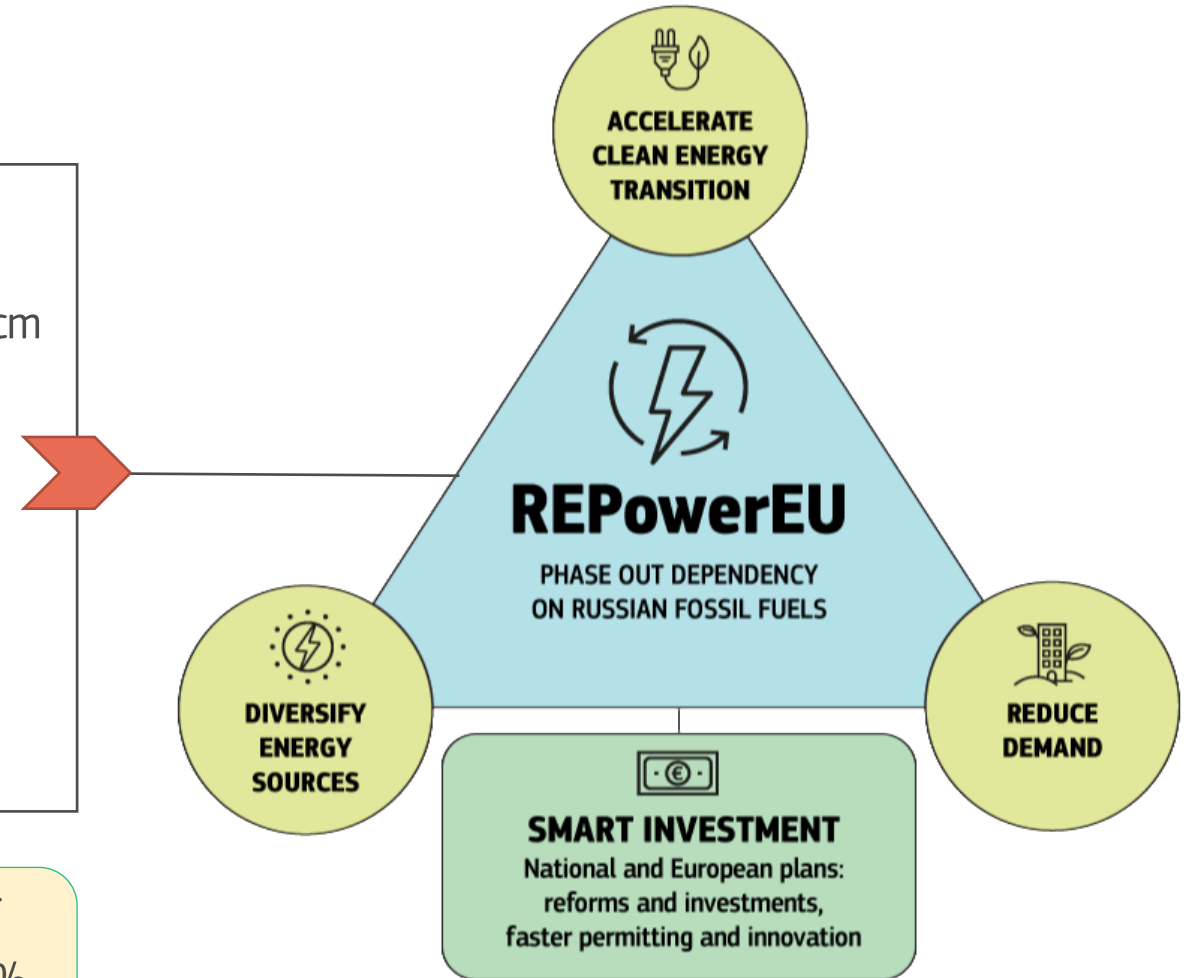
REPowerEU: from goals to actions

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



REPowerEU – Energy Savings and Clean Energy Transition

- Legislative proposals **revising upward ambitions in the EED, RED and EPBD proposal 2021:**
 - Increase **Energy Efficiency 2030 Targets** from 9 to 13% primary and final energy consumption reduction (compared to 2020 reference scenario) in EED;
 - Increase **Renewable Energy 2030 Target** from 40 to 45% share of renewables in the energy mix (compared to 2007 reference scenario) + proposal to accelerate permitting: ‘Go-to areas’ and ‘Overriding public interest’ for renewables deployment in RED;
 - Introduce **provisions to ensure deployment of solar energy in buildings** (in public and commercial buildings with useful area larger than 250 sqm by 2027, and in new residential by 2029) in EPBD.
- Energy efficiency and local/on-site renewables in REPowerEU:
 - **Energy efficiency and behavioral energy savings measures** at the junction between energy security and clean energy transition;
 - **Accelerate roll-out of heat-pumps and energy efficiency expected to deliver 37 bcm of natural gas savings** for an investment need of 57 billion euro;
 - **Solar rooftop initiative** – 58 TWh of additional electricity generated at an estimated investment cost of 26 billion euro, estimates indicate that potentially 25% of the EU’s electricity consumption;
 - **Industry Alliances** for solar PVs and heat pumps and **large-scale Skills Partnerships**.

REpowerEU – EU Save Energy Communication

A DUAL approach: 1 – Achieving short-term energy savings through small behavioural changes by everyone; 2- Accelerating and strengthening structural energy efficiency measures.









Accelerating energy efficiency through mid- to long-term measures

In July 2021, the Commission proposed an increase of the EU energy efficiency target of 9% by 2030, as part of the 'Fit for 55' package. **It is now necessary to go even further.**

EU energy efficiency target by 2030

 **9%** →  **13%**

In addition, the Commission invites the Parliament and Member States to consider **other improvements to the Fit for 55 package** that they are currently negotiating:

-  • Increasing the ambition of the **national energy savings obligation**
-  • Introducing **obligations** to reduce energy consumption, stop fossil fuel subsidies, and promote renewable energy technologies in transport and industry
-  • Strengthening the **implementation of energy audit results**
-  • Extend **buildings Minimum Energy Performance Standards**
-  • Strengthen **national energy requirements of new buildings**
-  • Tighten **national heating system requirements** for existing buildings
-  • Introduce **national bans for boilers based on fossil fuels** in existing and new buildings
-  • Advance the end of Member States subsidies for fossil fuel-based boilers from 2027 to 2025



The European Commission, in collaboration with member States, will launch a **Energy Efficiency Financial Institutions Coalition**



Financing REpowerEU

Additional investments of €210 billion, including €56 billion for energy efficiency, are needed between now and 2027 to phase out Russian fossil fuel imports, on top of what is needed to realise the objectives of the Fit for 55 proposals.

EU Funding Sources:

- RRF
 - RRF Loans (€200 billion remaining)
 - New RRF grants: from the auctioning of Emission Trading System allowances, currently held in the Market Stability Reserve (additional €20 billion)
- Cohesion Policy funds: Increase in voluntary transfer to the RRF of up to 12,5% of Member States' national allocation under these funds. Under the current MFF, cohesion policy will support decarbonisation and green transition projects with up to €100 billion.
- EAFRD: New voluntary transfer to the RRF of up to 12,5% of Member States' national financial allocation under the fund
- Connecting Europe Facility top-up: New call for proposals for Projects of Common Interest with €800 million
- Innovation Fund
- National Fiscal measures
- Private investment mobilized via InvestEU Programme
- The European Investment Bank

These investments include:



REpowerEU – Save Gas for Safe Winter and next steps

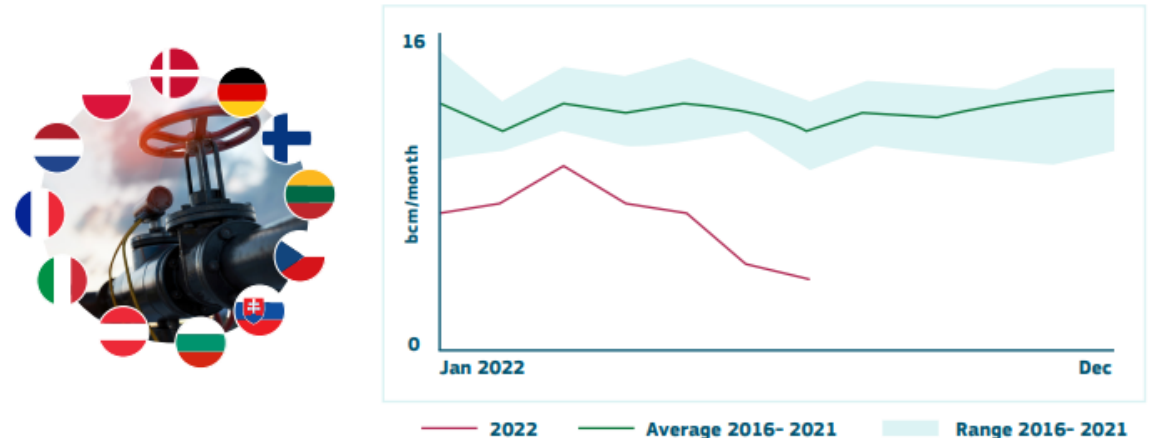
Save Gas for Safe Winter:

- 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*.

FALLING RUSSIAN GAS SUPPLIES

12 Member States already suffer from full or partial disruption of supply. In June 2022, Russian gas supplies were below 30% of the average for the past 5 years.

Flows of Russian gas in 2022 compared with previous years



Expected next steps:

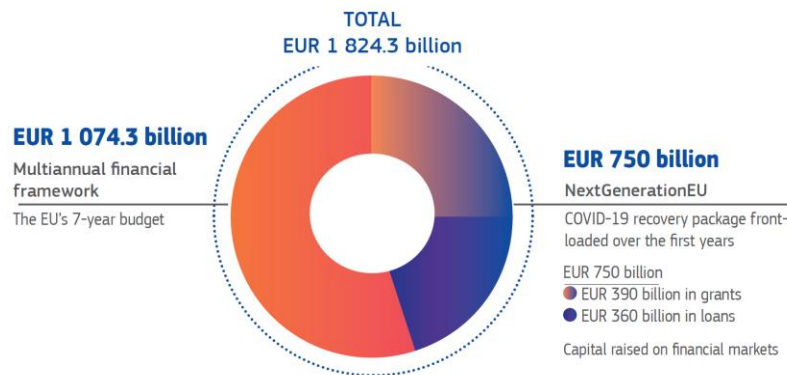
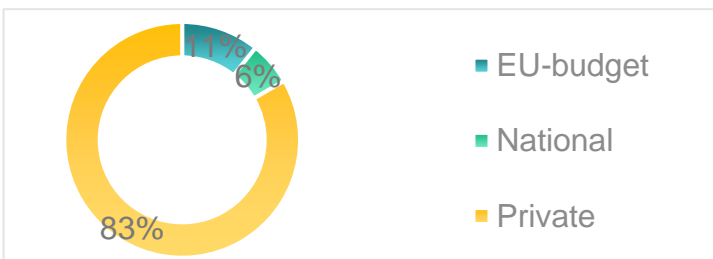
- Intervention on the electricity market design to contain high energy prices

3. Substaminale Energy finance

Finance for energy efficiency

Investment needs

- **FF55 package** estimate an **additional annual investment** need to achieve 2030 energy efficiency targets at **around 150€bn**.
- **REPowerEU**: additional **300€bn** investments from now until 2030 (210€bn the end of 2027) to phase-out dependence on Russian fuels.
- **REPowerEU**: specifically **56€bn** additional investments in energy efficiency and heat pumps, plus solar rooftop initiative.
- In total: **1150€bn by 2027** and **1400€bn by 2030** on energy efficiency/demand-side investments.



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

- **Direct investments**: Recovery and Resilience Facility (EEF), Cohesion Policy Funds (ERDF/CF), Just Transition Fund (JTF), ETS Revenues, Modernisation Fund.
- **Leverage private capitals, project development assistance and advisory**: InvestEU, ELENA Facility, Technical Support Instrument (TSI).
- **Market uptake, policy enhancement activities, technological development, research and innovation**: Horizon Europe, Built4People Partnership, LIFE Clean Energy Transition, Innovation Fund.

EU funding landscape to support EE

To directly co-finance investments

- **Recovery and Resilient Facility**
- **Cohesion Policy Funds** (ERDF, ESF) and **Just Transition Fund** (JTF)
- **Modernisation Fund**

To mobilise and leverage investments

- Financial instruments and technical assistance under **InvestEU EIB** including the
- **ELENA Facility**

To support technology development, research & innovation

- **Horizon Europe** and specifically: Cluster 5, Destination 4 (energy efficiency of buildings and industry)
- **Innovation Fund**

To address market barriers and provide capacity building

LIFE and specifically: the Clean Energy Transition sub-programme



EU funding Programmes for energy efficiency

Recovery and Resilience Facility (RRF) – direct investments

- Total amount: EUR 723.8 bn
- Each MS must dedicate at least 37% (EUR 250 bn) of the expenditures of its RRP to measures contributing to climate objectives and at least 20% of the expenditure to digital objectives.
- IT PNRR – relevant energy efficiency component

InvestEU – mobilise private investments

- Single fund integrating several previous EU-level financial instruments
- **EUR 26.2 billion EU budgetary guarantee** (EU Compartment), supported by the EU budget (Next Generation EU and the Multiannual Financial Framework 2021-2027)
- **Mobilisation of up to EUR 370 billion of additional investments** across Europe; **four thematic priorities** (“policy windows”). Energy efficiency under “sustainable infrastructure window”

Cohesion Policy Funds (ERDF/ ESF+/ CF/JTM) – Common Provision Regulation

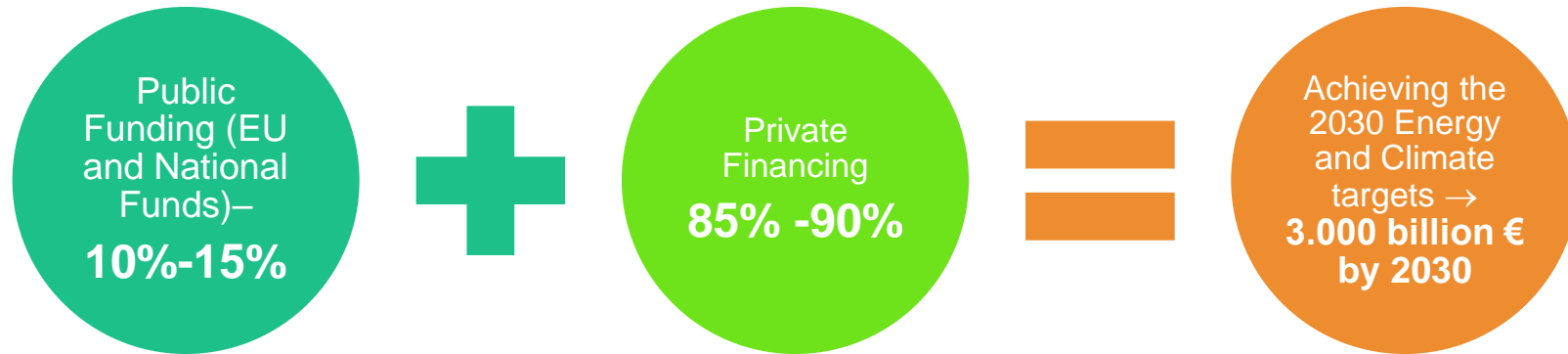
- Total amount: ERDF and ESF+ – EUR 313 bn, CF – EUR 37 bn, JTM – EUR 19 bn.
- Climate mainstreaming: JTM 100% (EUR 19 Bn), ERDF 30% (EUR 60 bn), CF 37% (EUR 15 bn)

ELENA – PDA to mobilise investments

- **Established in 2009** as European Local Energy Assistance. Now under **InvestEU Advisory Hub**
- **Technical Assistance grants** for preparation of investment projects in energy efficiency in buildings, sustainable energy and clean transport
- Beneficiaries: local and regional authorities, private service companies, local financial institutions
- Nearly **EUR 220m** awarded to projects supporting approx. **EUR 7,3bn investments**. High leverage achieved: above 30

Energy Efficiency Financing

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



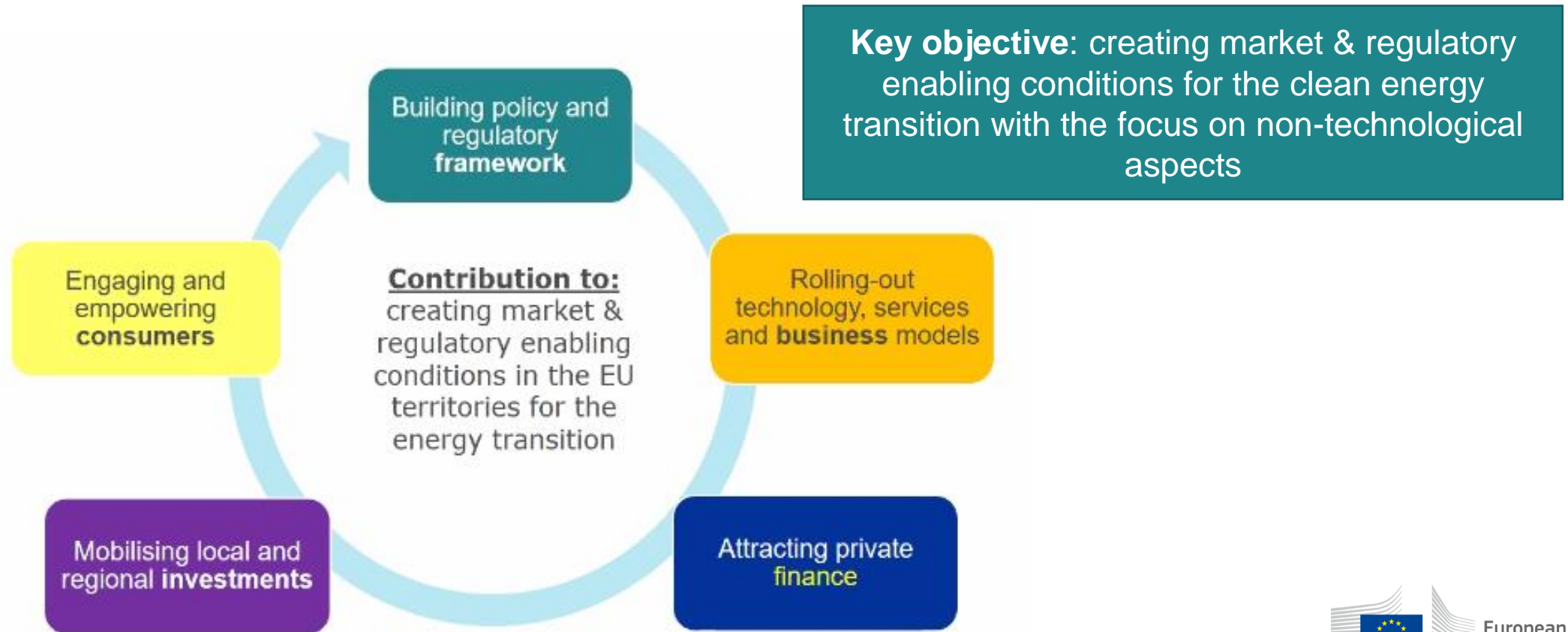
Drivers:

- **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).
- 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

LIFE Clean Energy Transition

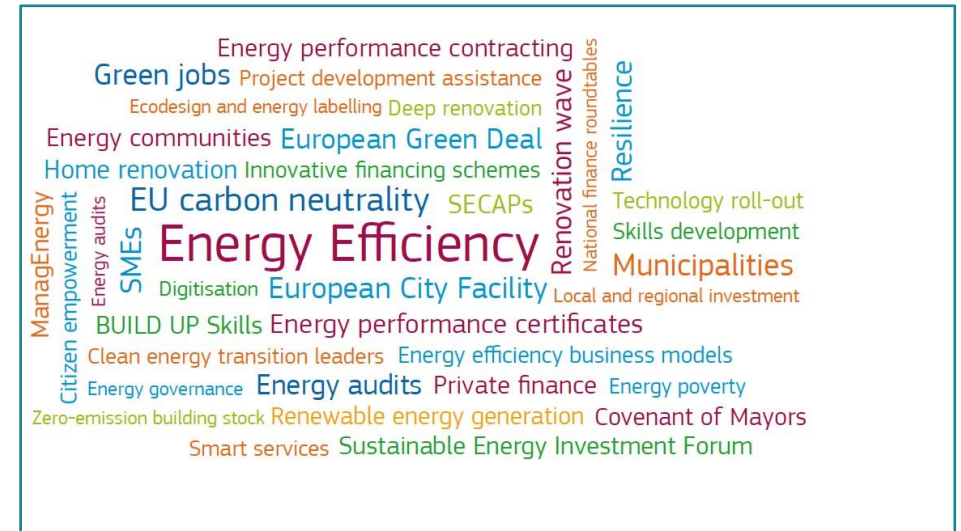
The very **key programme for EU clean energy policy implementation** and **fill the gaps** between energy efficiency and renewables policy development and implementation.

Implemented through specific/top-down **Coordination and Support Actions** (95% co-financing)



LIFE CET Call 2022

- Deadline **16 November 2022**
- **EUR 98m** available for grants
- 18 policy-driven, **prescriptive** funding topics with **detailed guidance**
- Most topics: **Minimum of 3 (eligible) entities** from **3 different eligible countries** (average number of partners is higher)
- **95% co-funding rate** (no infrastructure cost, mostly labour)
- Apply electronically via the EC's **Funding & Tender opportunities portal**



LIFE CET – Call 2022 18 Funding topics (I)

Citizens in the clean energy transition

- Addressing Building related interventions in vulnerable districts (LIFE-2022-CET-ENERPOV)
- Developing support mechanisms for energy communities (LIFE-2022-CET-ENERCOM)

Decarbonisation of buildings and H&C

- Towards a zero-emission building stock: deep renovation (LIFE-2022-CET-DEEPRENO)
- Energy performance & Smart Readiness of buildings (LIFE-2022-CET-BUILDPERFORM)
- Deployment and affordability of heat pumps (LIFE-2022-CET-HEATPUMPS)
- Low-grade renewable energy or waste heat in high temperature DH (LIFE-2022-CET-DH)

Building skills and capacity of industry and the service sector

- BUILD UP Skills – Strategies and training interventions enabling a decarbonised building stock (LIFE-2022-CET-BUILDSKILLS)
- Supporting the clean energy transition of the business sector (LIFE-2022-CET-BUSINESS)

LIFE CET – Call 2022 Funding topics (II)

Building a national, regional and local policy framework supporting the clean energy transition

- Cites and regions (LIFE-2022-CET-LOCAL)
- Making the “Energy efficiency first” principle more operational (LIFE-2022-CET-EE1st)
- Effective implementation of key legislation (LIFE-2022-CET-POLICY)
- New energy labelling compliance support facility (LIFE-2022-CET-COMPLIANCE)

Facilitating investment projects at local and regional level

- Project Development Assistance (LIFE-2022-CET-PDA)
- Integrated Home Renovation Services (LIFE-2022-CET-HOMERENO)
- Setting up public facilitation structures (LIFE-2022-CET-RENOPUB)

Attracting private finance for sustainable energy

- Mainstreaming sustainable energy investments in the financial sector (LIFE-2022-CET-MAINSTREAM)
- Innovative financing schemes (LIFE-2022-CET-INNOFIN)
- National Finance Roundtables (LIFE-2022-CET-FINROUND)

More information

- Any questions on LIFE Clean Energy Transition call topics? Email us on: CINEA-LIFE-CET@ec.europa.eu
- All Calls for proposals are published on the Funding & Tender portal <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/programmes/life2027>
- LIFE webpages https://cinea.ec.europa.eu/programmes/life/life-calls-proposals_en
- Call Document Clean Energy Transition 2022
https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/life/wp-call/2021-2024/call-fiche_life-2022-cet_en.pdf
- How to write an excellent proposal
https://cinea.ec.europa.eu/programmes/life/life-calls-proposals_en
- Recordings and presentation slides on each CET topic available on CINEA (coming soon)
- eGrants Online Manual:
<https://webgate.ec.europa.eu/funding-tenders-opportunities/display/OM/Online+Manual>



Thank you

Pierluca Merola, Policy Officer, Energy Efficiency Unit, ENER.B2