Progress on Energy Efficiency First Briefing

March 2016

The Coalition for ENERGY SAVINGS

Credits

The Coalition for Energy Savings: the voice of energy efficiency and savings in Europe

The Coalition for Energy Savings (AISBL) strives to make energy efficiency and savings the first consideration of energy policies and the driving force towards a secure, sustainable and competitive European Union. Its membership unites businesses, professionals, local authorities, trade unions and civil society organisations in pursuit of this goal. The Coalition calls on the EU to commit itself to a 40% energy saving target by 2030, and to step up policies, measures and investments in order to stop energy waste and tap the considerable energy savings potentials.

Coalition members represent:

- more than 500 associations and 200 companies
- 15 million supporters and more than 2 million employees
- 2,500 cities and towns in 30 countries in Europe

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Introduction

The Coalition for Energy Savings welcomed the European Commission's commitment to the principle of "energy efficiency first", as announced in the "Framework Strategy for a Resilient Energy Union" in February 2015, and recalled in the Communication "Launching the public consultation process on a new energy market design" within its package of energy proposals in the summer of 2015.

In May 2015, the Coalition for Energy Savings defined "Energy Efficiency First" as the principle of considering the potential for energy efficiency first in all decision-making related to energy. Where energy efficiency improvements are shown to be most cost-effective, considering also their role in driving jobs and economic growth, increasing energy security and mitigating climate change, these should be prioritised. Applying the principle will start to redress the historic bias towards prioritising increasing supply over saving energy – a bias which still persists. The Coalition identified several areas of focus to make energy efficiency first operational[1].

Since then, how well has the principle of energy efficiency first been embedded in the Energy Union? And to what extent has it been used to deliver the EU objectives of safe, secure and sustainable provision of energy in the most cost effective manner?

This paper provides an update on the progress made to date and offers suggestions on concrete routes by which energy efficiency first can provide dynamic and long lasting guidance for better decision making in the EU and Member States. It does not claim to be a comprehensive view of what would be all needed to fully embed the principle of energy efficiency first but sets out some important focus areas.

[1] Coalition for Energy Savings, May 2015. "Energy Efficiency First": How to make it happen

1. Enshrining the principle in the Energy Union governance

As an organising principle, energy efficiency first should provide guidance and leverage at the highest level of governance for making energy efficiency an intrinsic part of all relevant Energy Union dimensions, and be enabled by the appropriate planning and reporting tools.

1.1 At EU level

Developments so far

The two Commissioners in charge of delivering the Energy Union have embraced the definition to a certain extent.

"[...] the Energy Union puts energy efficiency first. We have to fundamentally rethink energy efficiency and treat it as an energy source in its own right", said Vice-President for Energy Union Maroš Šefčovič, European Commission[2].

"[...] It starts with taking "efficiency first" as our abiding motto. Before we import more gas or generate more power, we should ask ourselves: can we first take cost-effective measures to reduce our energy?" said Commissioner Miguel Arias Cañete, European Commission[3].

Vice President Maroš Šefčovič in his address to the European Parliament regarding the first "State of the Energy Union" report acknowledged that the goal is now to operationalise the energy efficiency first principle. In its own-initiative report on the Energy Union, the European Parliament called on the Commission and the Member States to apply the energy efficiency first principle.

However, one year after the launch of the Energy Union process, the European Commission has not yet fully assessed what changes would be required to enact the principle. There is a risk that the principle becomes a short-term slogan.

The stakeholders' contribution

In May 2015, the Coalition for Energy Savings identified several areas of focus to make energy efficiency first operational[4].

Energy efficiency stakeholders meet regularly to monitor the implementation of the principle across EU legislation.

Further work is needed

Ensuring that energy efficiency first is enshrined in the implementation and roll-out of the Energy Union Strategic Framework requires a systematic review of where and how it should apply in order to provide a roadmap for its further incorporation.

Suggestions for further actions:

- Include in the next State of the Energy Union report a comprehensive assessment of the governance changes needed in all Energy Union dimensions; and
- Publish a Communication / action plan on how to implement the Energy Efficiency First principle.

[2] Maroš Šefčovič 2015 Driving the EU forward: the Energy Union

[3] Miguel Arias Cañete 2015 Towards an Effective Energy Union

[4] Coalition for Energy Savings, May 2015. "Energy Efficiency First": How to make it happen

1.2 At national level

The Commission says in its Energy Union Communication that it will "encourage Member States to give energy efficiency primary consideration in their policies".

Developments so far

The European Council in March 2015[5] called for reviewing and developing legislation related to emissions reduction, energy-efficiency and renewable energy to underpin the agreed 2030 targets. In its Guidance to Member States on climate and energy plans as part of the Energy Union governance, the Commission confirms its intention to present legislative proposals on issues related to climate and energy, including energy efficiency but also on streamlining of planning and reporting obligations[6]. At the same time, the Commission and the Member States have already started technical talks on the nature, content and technical details of national energy and climate plans, without having yet presented the new underpinning legislation.

The European Commission recently launched a public consultation on streamlining of planning and reporting obligations as part of the Energy Union governance. The objective is to create a single national plan using a selection of indicators to monitor progress. The responses to the consultation will feed into the Commission's evaluation and fitness check of existing planning and reporting obligations as well as into the Impact Assessment accompanying the Commission's proposal(s) for streamlining of planning and reporting in the energy field foreseen for late 2016.

The stakeholders' contribution

Analysis from Client Earth[7] stresses that good governance should ensure that there are legally established rules, based on common and robust principles of effectiveness, transparency, accountability and legitimacy.

Further work is needed

The energy efficiency first principle should feature prominently in the guidance provided to Member States for developing their national climate and energy plans, and should be integrated into upcoming legislative proposals on climate and energy.

Suggestions for further actions:

- Develop national climate and energy plans that
  - are based on ambitious energy efficiency scenarios and policies, in line with national and EU ambition;
  - reinforce the integration of energy efficiency in all other dimensions; and
  - include robust and high level indicators for energy efficiency improvements and energy savings;
- Accept common reporting templates in order to improve transparency and effectiveness and to allow streamlining of reporting requirements.

[5] European Council conclusions, 19-20 March 2015

[6] European Commission, 2015. Annex 2 to the Communication "State of the Energy Union 2015", COM(2015)572 final. Guidance to member states on national energy and climate plans as part of the energy union governance

[7] ClientEarth, 2015, Streamlining Climate and Energy Planning and Reporting: Understanding the options, risks and opportunities

2. Getting the fundamentals right

1.1 In policy design: assessment methodologies

Assessing the impacts of energy efficiency from a societal perspective

The current impact assessment methodology used by the European Commission assesses the costs of energy efficiency targets only from a private perspective ignoring the societal costs and benefits of harvesting Europe's biggest source of energy: energy savings, and assuming that public policy making will fail in removing barriers and supporting the further uptake of energy efficiency markets

Developments so far

The Commission is looking at the modelling of energy efficiency and has indicated its willingness to reduce the private interest rate (often refered to as the discount rate) for assessing the financial costs of energy efficiency in its updated European energy and transport - Trends to 2030 (PRIMES 2015) reference scenario. The Commission also agreed to model a 40% energy efficiency target, much above the European Council's 27% and Juncker's 30%, as requested by the European Parliament. The European Parliament calls for 40% energy efficiency target based on the evidence about cost-effective efficiency potentials, if all market barriers and imperfections are removed. The Commission's impact assessment approach ignored this.

The stakeholders' contribution

A series of reports by Cambridge Econometrics[8], the Regulatory Assistance Project[9], Fraunhofer ISI[10] and Ecofys[11] recommend that the discount rates for assessing the value of energy efficiency policies should be lower, even as low as 3-4%, i.e. a societal discount rate. This is because it is appropriate – and standard practice[12][13] – to evaluate the impact of these policies from the point of view of society as a whole and not from the individual point of view. Even in the absence of a societal perspective, the current cost of capital assumed is extremely high.

Following a hearing organised by eceee (European Council for an Energy Efficient Economy)[14] several MEPs questioned the Commission about the use of high discount rates[15].

A new study[16] from the Coalition for Energy Savings, with contribution from Ecofys, discusses the limitations of using a private and short term perspective to assess public policy making. The study makes the case for a cost-benefit analysis that applies a societal perspective as the appropriate way to assess the impacts of 2030 energy efficiency target ambitions. The authors argue that a societal perspective, as already adopted by several Member States at national level, would be

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[8] Cambridge Econometrics, 2015. The use of Discount Rates in Policy Modelling

[9] RAP, 2015. Hidden Barriers to Efficiency. The Treatment of Discount Rates and Energy Efficiency Costs in EU Policy Scenarios.

[10] BPIE, 2015. Discussion Paper on Discount rates in energy system analysis

[11] eceee, 2015. Evaluating our future: The crucial role of discount rates in European Commission energy system modelling

[12] European Commission, 2015, Better regulation Toolbox.

[13] European Commission applies a societal perspective as a standard approach to determining least cost minimum performance levels for products and buildings and in setting CO_2 targets for transport.

[14] Better regulation. Better impact assessments in the European Parliament, 21 October 2015

[15] Questions for written answer to the Commission Rule by MEP Anneleen Van Bossuyt (ECR) from 2 December 2015 and by Theresa Griffin (S&D) from 22 December 2015

[16] The Coalition for Energy Savings with support from ECOFYS, 2016, Impact assessment of the EU 2030 energy efficiency targets in the context of the Energy Union & Energy Efficiency First – Towards a cost-benefit analysis.

appropriate to consider the role of public policy making in reducing market barriers and changing market designs. The analysis provides an example of a cost-benefit analysis showing that energy bill savings would exceed the investments costs under energy savings targets of up to 40%.

Further work is needed

The impacts of energy efficiency targets should be further evaluated to equip decision makers with an understanding of the costs and benefits from a societal perspective.

By moving toward a cost-benefit analysis (CBA), using a societal discount rate, and including more monetised benefits (see below), the European Commission would help legislators better determine the most cost-effective target scenarios in view of EU and national policies and measures; help Member States to better assess the most effective balance between demand and supply side investments; and could, at a supranational level, help national energy regulators assess the value in supply infrastructure investment – notably for cross-border infrastructure projects.

Suggestions for further actions:

- Conduct a cost-benefit analysis (CBA), based on a societal discount rate, as recommended in the European Commission Better Regulation Toolbox[17]; and
- Apply full transparency about the assumptions for national and EU level policies and measures and their impact in private interest rates related to each 2030 energy efficiency scenario.

Taking into account the multiple benefits of energy efficiency

The work done by the IEA[18] on capturing the multiple benefits of energy efficiency should be built upon and methodologies developed that would allow including them in future cost-benefit assessments – including policy impact assessments.

Developments so far

In its July 2014 Communication "Energy Efficiency and its contribution to energy security and the 2030 Framework for climate and energy policy", the European Commission presented but did not take into account the multiple benefits of energy efficiency. The report concluded that the 27% energy efficiency scenario was the most cost effective[19], based only on the least cost approach for the total energy system costs, and without taking into account the positive impact of energy efficiency policies and measures in removing energy efficiency investment barriers and thus reducing their costs. Furthermore, the assessment did not factor in the wider benefits– including energy security and supply side savings, flexibility, welfare gains, improved air quality, and reduction in greenhouse gas emissions.

The stakeholders' contribution

In addition to the IEA report, Copenhagen Economics, in 2012, addressed the multiple benefits of investing in the energy renovation of buildings[20]. E3G also

[17] European Commission, 2015, Better regulation Toolbox.

[18] IEA, 2014. Capturing the Multiple Benefits of Energy Efficiency

[19] See figure 2, European Commission 2014. Communication "Energy Efficiency and its contribution to energy security and the 2030 Framework for climate and energy policy", COM(2014)520 final

[20] Copenhagen Economics, 2012. Multiple benefits of investing in energy efficient renovation of buildings

produced a report setting out the macroeconomic case and multiple benefits of energy efficiency[21]. In 2013, Transport and Environment published a report on how auto innovation can contribute to economic growth and mitigating climate change[22]. Agora Energiewende published a report on the benefits of energy efficiency on the German power sector in April 2014[23]. In October 2015, ECOFYS produced a report on energy efficient buildings and the future power system, showing that highly energy efficient buildings (for new buildings and in deep retrofits) can deliver benefits at electricity system level, supporting a resilient future energy system by bringing important savings and flexibility on the supply side[24]. In November 2015, ECOFYS produced a briefing on behalf of Friends of the Earth Europe, in which the results from the Impact Assessment for the July 2014 Energy Efficiency Communication were adjusted by comparing total energy system costs with external benefits (air pollution reduction and GDP increase)[25].

All reports clearly show that when it comes to assessing the impacts of relevant policy proposals, the broader benefits of energy efficiency are too important to ignore.

Further work is needed

Further work is needed to quantify, monetise, and include the multiple benefits of energy efficiency in economic modelling.

Suggestion for further action:

- Quantify and monetise the multiple benefits of energy efficiency and factor them into a full cost-benefit analysis of policy options in the upcoming impact assessments for the 2030 legislative proposals, including the Energy Efficiency Directive and the Energy Performance of Buildings Directive.

1.2 In system planning: aligning demand projections

Energy demand projections used for key purposes, such as EU and Member State level energy system adequacy forecasts and allocation of Projects of Common Interest (PCI) funding, must be consistent and aligned with European medium and long-term climate and energy targets.

Developments so far

The European Commission's New Energy Market Design consultation published in July 2015 referred to harmonisation of European and regional/Member State level methodologies for system adequacy assessments and recognised the need to properly take into account energy efficiency policies and demand response possibilities as part of a more standardized approach[26]. However, as things stand, there is still no requirement to ensure consistency between the demand projections used by the Commission for reflecting the success of EU energy savings targets and policies and those used by ENTSO-E and ENTSO-G for energy infrastructure planning, in resource adequacy assessments, or for allocation of Projects of Common Interest (PCI) funding. Therefore, it is important to emphasise the need

[21] E3G, 2012. The macroeconomic case for energy efficiency

[22] T&E, 2013. Fuelling Europe's Future: How auto innovation leads to EU jobs

[23] RAP, 2014. Benefits of Energy Efficiency on the German Power Sector

[24] ECOFYS, 2015, The role of energy efficient buildings in the EUs future power system

[25] ECOFYS, 2015. Costs and Benefits of Energy Efficiency Targets

[26] European Commission, 2015. Launching the public consultation process on a new energy market design, COM(2015)340 final

for consistency between the EU energy demand projections used for different purposes.

The Commission's sustainable energy security package[27] from 16 February 2016 is the most recent example of misaligned demand projections and difficulties in delivering energy efficiency first. It used the lowest energy efficiency scenario for 2030 to assess Europe's gas import dependency[28] while using higher scenarios for the heating and cooling strategy[29].

The stakeholders' contribution

In a 2014 report[30], *Energy Security and the Connecting Europe Facility*, E3G indicated some of the inconsistencies between the EU demand projections used by the Commission. The report highlights that gas demand in Europe has fallen by 9% over the last decade, but gas projects are currently evaluated against scenarios that assume 72% higher EU gas demand in 2030 than would be the case under a 30% energy efficiency target for 2030.

Further work is needed

Greater attention is needed to align projections in both electricity and gas markets in order to prevent overestimation of energy demand, and consequently superfluous and wasteful investments in energy infrastructure, resulting in stranded assets and higher and unnecessary costs of energy to consumers.

Suggestions for further actions:

- Align energy demand projections for all Energy Union policies; and
- Update legislation and regulations related to the Internal Energy Market, energy security, and Projects of Common Interest to require that energy demand projections are aligned with energy efficiency commitments and policies adopted at EU and Member State level.

[27] European Commission, 2016, Sustainable energy security package.

[28] European Commission, 2016 Security of gas supply regulation – Factsheet.

[29] European Commission, 2016, An EU Strategy on Heating and Cooling.

[30] E3G, 2014, Energy Security and the Connecting Europe Facility

3. Incorporating the principle into EU energy and economic policies

As an organising principle of the Energy Union, energy efficiency first applies throughout the energy system, to all policy-making and investment decisions. This section provides a few examples of how the principle can be applied in the context of the political priorities of the Juncker Commission.

The section explores two of the ten political axes in particular: Energy Union and Climate, and Jobs, Growth and Investment.

3.1 In Energy Union and Climate

The EU's Energy Union strategy is made up of five "closely related and mutually reinforcing dimensions":

- Supply security;
- A fully-integrated internal energy market;
- Energy efficiency;
- Climate action - emission reduction; and
- Research and innovation.

While energy efficiency will naturally be the first consideration for the energy efficiency dimension, it is far from being realised in the other dimensions, as shown below.

In this section two dimensions are reviewed: security and the internal market. This does not mean that applying the principle in developing climate or research policies is less important. In particular the EU's policies to reduce greenhouse gas (GHG) emissions should build on first realising the energy efficiency potentials, particularly to enable post COP 21 climate action.

Supply security

Energy security is often considered as a matter of diversification of suppliers and routes. This approach is strengthened by the very distinct role the European Commission (and other public administrations) takes in energy diplomacy, and by the definition of energy dependency itself. The definition compares the EU's own production to imports, a calculation that does not consider the role of reducing overall demand on improving energy security.

Developments so far

The European Commission recently launched a "sustainable energy security" package[31], emphasizing the role of energy efficiency in energy security.

The LNG strategy recognises "Energy efficiency as an energy source in its own right". However, this language is undermined by the supporting impact assessments for the strategies, which also contradict one another. The assessment of the role of gas only considers low energy efficiency scenarios.

The stakeholders' contribution

In its responses to the market design and the EU strategy for liquefied natural gas (LNG) and gas storage consultations in September 2015[32], the Coalition for Energy Savings highlighted its concerns about the overestimation of the energy demand

[31] European Commission, 2016, Sustainable energy security package.

[32] Coalition for Energy Savings, 2015. Responses to the market design and the EU strategy for liquefied natural gas (LNG) and gas storage consultations

and lack of fully taking into account other elements of the energy system such as energy efficiency improvements, on improving Europe's energy security.

Further work is needed

Greater consistency must be ensured to create a vision for an energy system which puts energy efficiency first.

Suggestions for further actions:

- Revise the import dependency indicator to ensure consistent policy goals;
- Appraise the economic viability of EU funded projects (i.e. Connecting Europe Facility) against well founded efficiency scenarios; and
- Apply an energy savings test that compares the relative costs and benefits of increasing supply with investments in energy efficiency.

A fully-integrated internal energy market

The promotion of energy efficiency first will require strengthening of the Electricity and Gas Directives and improving consistency with the Energy Efficiency Directive (EED).

Developments so far

Member States are already encouraged under the Electricity Directive to incorporate energy efficiency first into the operations of many services, including transmission and distribution infrastructure provisions, by considering energy efficiency before proceeding with investment in increasing supply side resources[33]. But these are not strict requirements. Similar provisions are included in the EED namely in Article 15, where Member States are called to assess the energy efficiency potentials of their gas and electricity infrastructure. Although the deadline for Member States to show what they are planning to do under this Article was in June 2015, there is still little consolidated information available to help assess progress. According to the EED Concerted Action[34], as of October 2015, only 9 Member States had submitted a comprehensive assessment of the potential for energy efficiency improvements in electricity and natural gas networks[35]. Initial discussions among Member States indicated that they were considering different ways to improve energy efficiency, including through measures such as grid reinforcement, demand response, dynamic tariffs and improved access of distributed generators[36]. However, a new study[37] on Article 15 commissioned by the European Commission indicates that based on available information so far, Member States mainly consider loss reduction initiatives in their assessments. The study was prepared to support Member States in conducting their assessments, especially those that have not carried them out yet. The study also aims at defining common ground regarding the review of the assessment reports that will be submitted by Member States to the Commission. Article 15 of the EED also requires Member States to remove incentives in transmission and distribution tariffs that are

[33] Article 25.7 of the Electricity Directive.

[34] The EED "Concerted Action" is a network of Member States funded by the Commission to allow officials to meet and share experiences, find common solutions to specific challenges and identify best practices regarding the implementation of the EED.

[35] EED Concerted Action, 2015. Energy efficiency in network design and regulation. Article 15 (2b) of the Energy Efficiency Directive

[36] EED Concerted Action, 2014. Article 15.2 Infrastructure efficiency potential assessment

[37] Tractebel Engineering, Ecofys 2015. Identifying Energy Efficiency improvements and saving potential in energy networks, including analysis of the value of demand response, in support of the implementation of article 15 of the energy efficiency directive (2012/27/EU)

detrimental to the overall efficiency (including energy efficiency) of the generation, transmission, distribution and supply of electricity. However, no review of the implementation of this requirement is available.

The stakeholders' contribution

In its paper "Efficiency First: Key Points for the Energy Union Communication"[38] in February 2015, the Regulatory Assistance Project outlined different options for applying energy efficiency first in relation to energy market design and energy sector regulation. These include strengthening regulatory oversight of transmission and distribution investment plans and the introduction of a least-cost investment standard, taking full consideration of energy efficiency. The paper suggests that the standard needs to be combined with new revenue structures for utilities that decouple revenues from energy sales to remove the disincentive to support energy efficiency or any other measures that reduce sales volumes.

Moreover, in its paper "Building a consumer-centric Energy Union"[39] in July 2015, BEUC points out the importance of energy efficiency as the best energy 'source' investment for improving affordability of energy bills and driving down the need for additional and costly infrastructure. The paper highlights a number of areas where more should be done to incentivise consumers, helping them in making informed choices and engaging in the energy market. It also underlines the need to further boost efficiency and sustainability of products and passenger cars.

Further work is needed
Tapping the cost-effective energy savings potential will require up-scaling energy efficiency investment and thus fundamentally redesigning markets to allow new business models and increase investments. Current markets were designed to finance energy supply infrastructure and are failing to send energy consumers the right signals. The soft approaches put in place in the Electricity and Efficiency Directive are not sufficient.

Suggestions for further actions:

- Remove regulatory barriers and encourage participation of energy efficiency in the energy markets and as a resource in the overall energy system; and
- Encourage revenue structures and tariff designs that support energy efficiency investments.

3.2 In Jobs, Growth and Investment

Access to public finance and increased funding from the European Investment Bank (EIB) and the EU's Regional Development and Cohesion Funds is at the heart of the Juncker Investment plan, and needs to be weighted towards delivering energy efficiency first in order to secure high public value outcomes and avoid stranded assets. This will also send the right signal to private investors.

Developments so far

Energy efficiency is becoming more prominent in EIB's EU28 climate mitigation portfolio, but more still needs to be done to make energy efficiency a guiding principle for its lending. The Bank's evaluation suggests that the EIB's contribution has been limited in this area[40], with energy efficiency measures constituting only

[38] RAP, 2015. Efficiency First: Key Points for the Energy Union Communication

[39] BEUC, The European Consumer Organisation, 2015. Building a consumer-centric Energy Union

[40] EIB, 2015. Operation Evaluation - valuation of EIB financing of Climate Action (mitigation) within the EU 2010 -2014 pp.10-11

2.8% of the EIB's total lending in 2014[41]. In the EIB's last Energy Policy review, the Bank placed energy efficiency on its 'white list', meaning fast track access to finance is provided for any project brought forward that contributes to energy efficiency aims. In addition, the European Commission's new European Fund for Strategic Investment (EFSI), even though it does not include ring-fencing for energy efficiency investments, includes a scorecard for investments that is weighted toward energy efficiency. The scorecard is designed in such a way as to ensure that highly productive and high value investments are prioritised for EFSI guarantees and energy efficiency is specifically mentioned as an area targeted by the EFSI for support[42].

Furthermore, the funding allocations for energy efficiency from EU's Cohesion Policy funds in 2014-2020 increased significantly in several Central and Eastern European countries compared to 2007-2013. However, those amounts are still largely insufficient (by 50%) compared to the identified investment needs of eligible beneficiaries and measures (public infrastructure, housing and SMEs)[43].

The stakeholders' contribution

The Energy Efficiency Financial Investors Group (EEFIG), which includes numerous financial experts, has suggested a series of structural reforms that are needed to increase the flow of financing to energy efficiency[44].

Further work is needed

Overall, ex-ante conditionality criteria linked to the implementation of the EU energy efficiency acquis should be introduced, whenever EU funds are used to finance energy projects. This should be based on the models of those already existing for granting under the European Regional Development Fund (ERDF) and Cohesion financing. Furthermore, it should be ensured that the State Aid framework and rules on public accounting and budgeting incentivise, rather than hinder, energy efficiency investments. More can be done to support the initiatives that have already been undertaken by EIB – especially around access to wider public financing sources that can co-finance projects and facilitate dissemination of best practices related to project proposals and management. In the framework of EFSI, the EIB and national Promotional Banks should proactively support the set-up of Energy Efficiency Investment platforms or any other action aiming at bundling energy efficiency projects, and increase their energy efficiency lending through pro-active project development support from the European Investment Advisory Hub.

In order to fully tap into the energy savings potentials triggered by EU Cohesion Policy, the funding allocations for energy efficiency measures from the ERDF should be, at least, doubled during the upcoming EU budget mid-term review. In this context more financial instruments for energy efficiency in enterprises, public infrastructure and housing, both individually and combined with non-refundable support, in the form of preferential loans, guarantees and interest rate support, should be introduced.

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[41] CEE Bankwatch Network, 2015, 9 reasons why the EU's bank is no climate leader, Sources: EIB climate action lending database 2013-2014 for total energy efficiency lending; EIB 2014 Statistical Report

[42] Commission Delegated Regulation (EU) 2015/1558 of 22 July 2015 supplementing Regulation (EU) 2015/1017 of the European Parliament and of the Council by the establishment of a scoreboard of indicators for the application of the EU guarantee. The scorecard includes indicators set out in the Annex to Regulation EU (2015/2017).

[43] CEE Bankwatch Network, 2015, Climate's Enfants Terribles - How new Member States' misguided use of EU Funds is holding back Europe's clean energy transition

[44] Energy Efficiency Financial Investors Group (EEFIG), 2015. Energy efficiency - the first fuel for the EU economy – how to drive new finance for energy efficiency investments – Final report.

Suggestions for further actions:

- Create a new conditionality for access to funding through the Connecting Europe Facility by requiring Member States to first identify and then submit financing plans to deliver all cost-effective energy savings in their economy to 2030 before access to European funding for other more expensive energy security options is granted;
- Review the State Aid General Block Exemption Regulation to permanently increase energy efficiency exemptions to 100% of eligible costs (matching those for infrastructure). Energy efficiency funds should be redefined under State Aid rules as economically sound entities pursuing a goal of economic viability and cost recovery rather than profit making;
- The European Investment Bank and EU Cohesion Policy should take appropriate steps to increase energy efficiency financing during the upcoming EU budget mid-term review and by pro-actively developing energy efficiency project pipelines;
- Remove barriers to energy efficiency in the public sector, including rules on public accounting and budgeting and rules on public procurement that are detrimental to comprehensive energy efficiency services contracts;
- Continue indicators in the EFSI scorecards, under which investments are weighted toward delivering energy efficiency first, as a safeguard for support to high value energy efficiency investments and if necessary improve over time; and
- Integrate energy efficiency first into the Smart Finance for Smart Buildings Initiative.

Conclusion

Putting energy efficiency first implies being in a position to consider the potential for energy efficiency solutions in all decision-making related to energy.

The market for energy efficiency needs to be accompanied by public policies and funding streams which will help break down market barriers to realise investments which make economic sense. The tremendous potential has already been demonstrated: according to research from the Coalition for Energy Savings[45], an additional investment of €386 billion until 2020 - €64 billion per year - should be realised in order to tap the cost-effective economically-justified energy efficiency potentials in the European Union.

Therefore, the efforts mentioned above should be accompanied by a conducive and ambitious energy efficiency framework.

[45] Coalition for Energy Savings 2014 Tapping the EU's huge energy efficiency potential