

**MFF post 2020:
Recommendations from The Coalition for Energy Savings**

March 2018

Context – As noted by the Commission in its Communication on “A new, modern Multiannual Financial Framework” (MFF), the EU budget is primarily an investment budget driving “European added value”.

As a community striving to unite and build bridges between private, public, national and local interests, the Coalition for Energy Savings believes that the potential of the EU budget to promote common projects that deliver tangible benefits for people, business and their environment is yet to be fully reaped.

Energy efficiency investments have proven to deliver the highest economic and social returns¹, and this paper provides recommendations to maximise these benefits through the adoption of the MFF post 2020, by:

- #1** – Reaping the full potential for job creation and enhanced competitiveness
- #2** – Putting energy efficiency on track to secure an attractive energy transition aligned with climate objectives
- #3** – Building a future-proof energy system with the energy efficiency first principle

The Coalition for Energy Savings 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, cooperatives, consumer and civil society organisations in pursuit of this goal.

Coalition members represent:

- more than 500 associations, 200 companies, 1,240 cooperatives
- 15 million supporters, more than 2 million employees and 650,000 members of cooperatives
- 2,500 cities and towns in 30 countries in Europe

Transparency Register: 72911566925-69.

Contact:

Marion SANTINI, marion.santini@energycoalition.eu, +32.2.235.20.13.

¹ Cambridge Econometrics, Verco, 2014, Building the Future: The economic and fiscal impacts of making homes energy efficient

#1 – Reaping the full potential for job creation and enhanced competitiveness

The potential – In November 2016, the European Commission presented its Clean Energy package as “an opportunity to speed both the clean energy transition and growth and job creation”² by mobilising both public and private investment.

Tapping the full economic potential of energy efficiency, which stands at reaching 40% energy efficiency by 2030, requires additional investments of around €300 billion per year³. Current investment levels are estimated to be above €100 billion. The impact of the additional investment on job creation would be paramount, with a net creation of 3.3 million jobs⁴. These investments will also increase the resilience of the EU’s energy system and maximise the benefits of the Energy Union for citizens with lower energy bills and for companies with enhanced competitiveness.

What the EU budget can do – Public budgets have an important role to play in nurturing a pipeline of projects and in coordinating an investment drive towards renovating leaky buildings, replacing wasteful equipment and technologies, updating production facilities and building an efficient and clean mobility system. Private investors have indicated their appetite for more energy efficiency projects⁵. €1 of public investment in energy efficiency measures can trigger private investment of up to €4-20⁶.

How?

- By prioritising funding for clean investments across the EU budget and increasing the allocations for energy efficiency to mobilise the additional private investment needed, estimated at €300 billion per year, to reach the EU energy savings cost-effective potential.
- By considering the proposal from the High-Level Expert Group on Sustainable Finance⁷ to establish a Sustainable Infrastructure Europe Facility. This will expand project development capacity for high-quality infrastructure in EU Member States to help meeting the EU’s sustainability objectives.
- By sustaining the project pipeline with sufficient funding for project development and technical assistance.
- By prioritising efficiency and demand side technologies in an expanded Research and Innovation budget.

² European Commission, 2016, Clean Energy For All Europeans

³ Considering that reaching 40% savings requires additional saving of 240 Mtoe by 2030 (from EUCO27 to EUCO40) and that saving 1 Mtoe requires between 5 and 24 billion Euro - see also European Commission, 2016, Impact assessment SWD(2016) 405 final, PART 3/3, Table 12: Cost for energy efficiency improvement measures

⁴ European Commission Impact assessment, 2016, SWD(2016) 405 final, PART 1/3, Table 15, Employment impacts in EU28 in 2030 (from EUCO27 to EUCO40) under the partial crowding out scenario

⁵ IIGCC, 2017, Energy Council – EU Institutional investors’ view. Letter to Energy Ministers

⁶ For more information:

United Nations, 2010, [Report of the Secretary-General’s High-level Advisory Group on Climate Change Financing](#)

Jülich Institute, 2011, Impact on public budgets of KfW promotional programmes in the field of energy-efficient building and rehabilitation.

IEA, 2012, Plugging the Energy Efficiency Gap with Climate Finance

IEA, 2013, [Mobilising Investment in Energy Efficiency: Economic instruments for low-energy buildings](#)

⁷ High-Level Expert Group on Sustainable Finance, 2018, [Final report](#)

#2 – Putting energy efficiency on track to secure an attractive energy transition aligned with climate objectives

The potential – Energy efficiency is the key enabler for a decarbonised Europe and is beneficial to both businesses and consumers. The International Energy Agency (IEA) assessed that 76% of additional emission reduction are required from energy efficiency in Europe to comply with Paris agreement objectives⁸.

What the EU budget can do – The 2030 target currently on the table still falls short of what is needed to meet the long-term goals of the Paris Agreement⁹. Through the National Energy and Climate Plans, the EU should ensure an efficient use of financial and regulatory incentives to remove barriers to energy efficiency investments and boost the delivery of energy efficiency products and services. The EU budget plays a role of enabler for Member States to plan and deliver ambitious objectives.

How?

- By providing a financial scheme that addresses ambition and delivery gaps of the 2030 energy efficiency target while incentivising Member States to set high pledges¹⁰.
- By rewarding Member States which are using their National Energy and Climate Plans to set out a strong energy efficiency investment pipeline.
- By encouraging the convergence and consistency of energy efficiency strategies at EU, national and local levels.

#3 – Building a future-proof energy system with the energy efficiency first principle

The potential – As an organising principle of the Energy Union, energy efficiency first shall apply throughout the energy system, to all policy-making and investment decisions¹¹. This will ensure that these decisions are made upon appropriate assumptions about the size of the energy market while maximising the delivery of benefits for citizens and businesses.

What the EU budget can do – The EU spending must be fully compatible with the achievement of 2030 climate and energy targets and with longer-term climate and energy goals stemming from the Paris agreement. This has not always been the case: a 2014 report¹² by E3G pointed that infrastructure spending decisions were disconnected from EU energy demand projections used by the Commission and the remaining demand if EU climate and energy targets were to be met.

⁸ [Presentation by IEA](#), 2016

⁹ CAN Europe, 2018, Press release: MEPs call for more ambition in future clean energy laws

¹⁰ For more information, CAN-Europe, 2018, How the EU budget can serve higher climate ambition

¹¹ The Coalition for Energy Savings, 2016, Progress on Energy Efficiency First

¹² E3G, 2014, [Energy Security and the Connecting Europe Facility](#). 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.

How?

- By assessing the consistency of infrastructure investments with the energy demand stemming from achieving the EU climate and energy goals in line with the Paris agreement – across all EU funds' investment plans and programmes. This will send an unequivocal signal to private investors, by only funding projects in line with the EU's internal and international commitments and closing funding streams for projects and policies which are not 'Paris-compliant'.
- By requiring comparative cost-benefit assessments, including overall societal benefits, of increasing energy supply and managing demand in reaching the stated objectives.
- By ensuring that the new Connecting Europe Facility enables investments in efficiency in demand- and supply-side infrastructures, in particular when they have the potential to replace new network investments.
- By introducing ex-ante conditionality criteria linked to the implementation of the EU energy efficiency acquis whenever EU funds are used to finance energy projects.