



# EUROCITIES STATEMENT ON THE COMMISSION PROPOSAL FOR AN ENERGY EFFICIENCY DIRECTIVE

Cities key to achieving goals

Cities will continue to contribute to the EU goal of raising energy efficiency by 20% by 2020. EURO CITIES welcomes the commission's efforts to push for higher energy savings, including many elements of the proposed Energy Efficiency Directive. However, the proposal should be improved and strengthened. It needs to be backed by sufficient funding opportunities and by efficient cooperation between the different governance levels, including cities.

## Energy efficiency targets

The EU is on track to achieve its binding targets on renewable energy and greenhouse gas emission reductions for 2020, while the non-binding target on energy efficiency will not be achieved with current policies. We would like to see the commission reassess progress in 2013, i.e. one year earlier than proposed, to determine whether a binding EU target on energy efficiency for member states needs to be set.

'Trading' between member states of energy savings achieved under national energy efficiency obligation schemes should follow the rules of the Renewable Energy Directive (2009/28/EC) to ensure consistency.

## Public building renovation

We believe that the proposed 3% renovation target for public buildings can help ensure planning certainty and increase momentum for improvement. This can only happen if the necessary funding to achieve it is ensured both from the public and from the private sector, in particular from energy companies.

In addition, we would welcome some clarifications and improvements to the commission proposal:

- Many cities already have a strategy in place to improve the energy efficiency of public buildings. Their efforts should be acknowledged and not compromised by the new directive. For instance, public bodies should be allowed to follow their existing strategy, without having to meet the renovation target, if they have an energy efficiency strategy in place for their buildings based on savings per heated and/or cooled square meter, and expect to yield savings equivalent or higher than the savings expected from meeting the renovation target. This would avoid penalising advanced public authorities.
- Consideration should be given to different building segments, so as to take into account the different potentials that buildings contain.
- It would be more sensible to calculate the renovation target based on heated and/or cooled floor area, as opposed to 'useful' floor area. Refurbishment for increased energy efficiency is not a priority in spaces that do not need heating and/or cooling, e.g. certain storage areas.

- Such energy requirements should also apply to private buildings used for municipal purposes.
- Exemptions should be made possible for historic buildings and neighbourhoods that are often not only part of local, but also of national, or even world heritage.
- The flexibility provided on reduction targets, i.e. the possibility to count excess of renovated building floor area achieved in other years towards the annual renovation rate, should be extended to four years either side of the year in question. This would take due account of the long-term nature of construction and planning without compromising final results, as renovation and retrofitting of municipal buildings often will not be evenly divided by 3% per year. The directive should clearly state that all buildings of government agencies that are located in the EU are taken into account, even if they are owned for instance by an international organisation.
- We would also like to see an exemption from energy efficiency requirements for buildings that public authorities buy with a view to demolition. This is important for cities that want to develop themselves and construct new, more energy efficient and more attractive buildings in existing neighbourhoods.

## Funding

Sufficient funding, including for public building renovation, is not only a question of the quantity of EU, national and regional funding available, but also of improvements in the design of funding instruments. The commission impact assessment accompanying the Energy Efficiency Plan 2011 states that “with the economic crisis it cannot be expected that significant additional public funds would be dedicated to energy efficiency and it is therefore essential that [financing] instruments aim at better engagement of third party financing.” Cities are very interested in finding new ways of funding energy efficiency measures, and we have already been exploring and using new models such as energy performance based contracting to make good use of possibilities to return on investments. We invite the commission and member states to continue investigating new and better funding instruments and assessing their overall potential. In particular, we will be ready to discuss remaining difficulties for local authorities such as lack of banks that can distribute European facilities, national restrictions on local authority borrowing, and the need for cities to avoid additional financial risks, not least due to increasingly limited city resources.

As we are keen on improving energy efficiency, the potential of voluntary reforms should not be discarded either. For instance, EUROCITIES members already developed the Green Digital Charter in 2009 that provides a practical framework to deliver on climate change objectives through digital technologies. The EU should also use and build upon initiatives such as the Covenant of Mayors and the Smart Cities and Communities initiative.

## Historic buildings

Exemptions from the renovation target will be needed for historic buildings and neighbourhoods. However, voluntary renovation would benefit from support for greater innovation in energy efficiency measures which provide for a sensitive application of technologies and techniques to historic buildings and which provide good practice examples for all building owners in the public and private sectors. As mentioned above, appropriate financing instruments are essential.

## Private buildings

At 12%, public buildings represent a significant part of the building stock. Part of these 12% are owned by cities, and we are ready to improve the energy efficiency of these buildings. However, the remaining 88% share of private buildings should not be forgotten. More incentives are

needed to stimulate private investments in energy efficiency. In addition, as stated in the directive proposal, clearer rules on how the financial recuperation of energy savings should be allocated to landlords and tenants or between co-owners could be a key enabler for improvement. Co-owners and renters that want cost-efficient investments to be made should have more influence over these decisions. In order to ensure progress, we think that the commission should develop more concrete recommendations to improve the national legal frameworks. It should then assess the national legal frameworks for private building renovation in 2014 at the latest, if possible together with the assessment of the overall energy savings, and propose EU legislation on the matter if necessary.

## Strategic and integrated energy planning

We welcome the suggestion to improve energy planning. Our cities need proper strategic energy planning in the same way as member states.

The national heating and cooling plans foreseen by the proposed directive can be useful for increasing energy efficiency of heating and cooling if local authorities are closely involved in setting them up. Urban spatial plans should be coordinated with the overall national and regional heating and cooling plans. This coordination should take into account comprehensive spatial planning needs of cities such as improving air quality and transport, climate change adaptation strategies. In addition, innovative cooling systems will be increasingly important when it comes to climate change adaptation.

## Heat pumps and cogeneration

High-efficiency cogeneration (combined heat and power, CHP) certainly increases efficiency compared to conventional solutions, and should be supported. Nevertheless, heat pumps also have a role to play and should not be overlooked. Heat pumps for district heating and cooling have been used successfully in a number of cities, using for example waste water and sea water. The overall energy efficiency of such systems can be higher than for CHP plants, depending on the application. Further advantages of heat pumps include that their heat production does not contribute to air pollution at the place of installation and that they can use even lower temperature waste heat sources.

## Public procurement

Public procurement can be significant to promoting a low-carbon economy and achieving best value for taxpayers' money. We support the idea of applying energy efficiency criteria in procurement where possible. This should be part of a general move in EU procurement rules to giving greater scope to specifying sustainability objectives in the tender process - i.e. valuing environmental and social criteria above cost and understanding that introducing these criteria can often mean better value in the longer term. At the same time, it will be important to ensure simplification of lengthy and complicated procedures that often impose a disproportionate burden on local authorities and discourage them from starting a tender procedure. Moreover, procurement rules should enable us to support our local economy, especially SMEs and other small organisations, such as NGOs, mutuals, cooperatives and social enterprises, which also often innovate in energy efficiency measures. We have addressed these and further procurement issues in the EUROCITIES response to the Green Paper on public procurement on 15 April 2011.

## Information and awareness

We welcome the proposed certification of providers of energy services, energy audits and other energy improvement measures, as well as lists of (certified) energy service providers and, in particular, provisions on model contracts for energy performance contracting in the public sector to help promoting the model. In addition to facilitating the use of energy services, these

measures can also support local efforts to raise awareness and gain acceptance for energy efficiency measures among citizens and SMEs.

Improvements in metering and billing are welcomed. In general, smart metering must be seen as part of the technical equipment for control and automation in all kinds of buildings with the aim to optimise energy production, storage and distribution. This will require substantial investment in infrastructure. The European Commission should support this technical transformation by initiating strategic large scale programmes and, most urgently, by initiating the indispensable standardisation of technical equipment and processes. Finally, before making smart meters mandatory, their costs and benefits should be thoroughly analysed in an impact assessment and any problems with data protection should be addressed.

When it comes to obligatory energy audits for large companies, we believe that they would be more helpful when complemented by an obligation to take energy efficiency measures that have been identified as cost efficient in the audit, e.g. because their payback time is no longer than five years.

## Empowering cities to act

An effective EU policy on energy efficiency needs to enable the local level to act. To this end, cities should be involved in strategic energy planning at different levels. Furthermore, targets should be mirrored by funding, and as much information as possible should be made available regarding future sources and ways of financing. The commission should also support us in securing new forms of cooperation with energy companies to ensure effective and efficient energy planning in cities. This will also support the fulfilment of the intentions of the Covenant of Mayors and Sustainable Energy Action Plans. National or regional support for cities to organise and draft energy action plans would be welcome.

### Background: Cities are a crucial challenge and opportunity for EU energy policy

Today, **75% of Europe's population** lives in cities, where **80% of our energy** is consumed. By 2050, 83% of Europeans will be living in cities, according to forecasts by the United Nations. The energy challenges in Europe will therefore continue to be located mainly in cities. However, cities, and in particular big cities, also offer large energy opportunities, as well-managed urban concentration reduces transport distances for people, goods and energy, and provides potential to increase the energy efficiency of heating and cooling.

Already, energy efficiency is a core part of local energy action. Examples include:

- refurbishing public buildings;
- incentivising renovation of private buildings where possible;
- improving public transport and overall urban transport management;
- investing in more energy efficient heating and cooling, such as through district heating and cooling, and seasonal thermal storage;
- increasing energy efficiency of public lighting, for instance through the installation of LED lighting;
- supporting, developing and installing renewable energy within city boundaries, such as energy from waste, biomass, solar, ground/air/lake/sea source and more.

Moreover, local policy makers use an integrated approach to ensure that higher energy efficiency supports goals that go beyond energy as well, such as local job creation or improving living conditions.