



EUROPEAN ALLIANCE TO  
**SAVE ENERGY**  
*Creating an Energy-Efficient Europe*

# **EU-ASE Recommendations for the EU Jobs, Growth, and Investment Package**

## **Executive Summary**

The European Alliance to Save Energy (EU-ASE) welcomes the Jobs, Growth, and Investment Package that Commission President Juncker intends to present in the context of the upcoming Europe 2020 review.

We appreciate the opportunity to offer recommendations to incorporate energy efficiency in the Package. Energy efficiency measures deserve top consideration for inclusion in the Package simply because they are proven to maximise return on investment and to foster robust job creation. The mechanisms to implement them already exist and can be scaled up without delay.

In this short paper, we highlight the potential of energy efficiency to create jobs, promote and protect growth, and we outline six specific proposals for incorporating energy efficiency into the Package.

The first two of the following proposals require investment from the Package funds in the form of direct financial assistance, to provide liquidity and support investments in large and medium scale energy efficiency projects. This financial assistance is needed in the form of low interest loans to match private or commercial renovation investments or for instance in support of energy performance contracting.

It could also be used to provide Member States with technical assistance required to develop and implement innovative programs to promote energy efficiency in various sectors of the European economy. In some cases in the EU, use of such funds have led to a multiplier effect producing employment and investment benefits many times the original investment.

Other proposals listed address the regulatory changes and modifications we believe are necessary to ensure that state aid and accounting rules and reforms treat energy efficiency as an investment rather than a cost. They also include suggestions for a step up in promoting the vast array of energy efficiency technologies available. Lastly our proposals consider the review and revision of the EED and EPBD and suggestions to improve market oversight and surveillance of those and other existing regulations.

Energy efficiency investment deserves top priority in the implementation of the Jobs, Growth and Investment Package, because it ranks among the most effective means of accomplishing the Package goals.

It is our hope that this information will make clear the vital role that energy efficiency can play in meeting the Package goals.

## The Power of Energy Efficiency to Create Jobs and Promote Growth

As Commission President Juncker has stated publicly, the Jobs, Growth and Investment Package will constitute an ambitious attempt to strengthen European competitiveness and stimulate investment for the purpose of job creation. To maximise the possibility of success in this attempt, it will be necessary to leverage the proposed € 300 billion in public and private funds in smart, forward-thinking ways that create not only employment in the short-term but a long-term business environment that is conducive to sustainable growth.

EU-ASE is pleased that President Juncker has included energy efficiency among the focus areas of the Package, and we encourage Vice President Katainen to grant it top priority—for the simple reason that it ranks among the most effective means of accomplishing the Package goals. The ability of energy efficiency investments to generate jobs<sup>1</sup> and deliver substantial returns on public spending is well-established<sup>2</sup>, resulting in as much as a 5:1 ratio of tax euros received to public funds spent<sup>3</sup>. This ability stems, in part, from the inherent goal of energy efficiency measures—that is, to minimise waste and maximise productivity, thereby freeing up resources for investment and growth that would otherwise be lost to operational costs. In this way, expenditures in energy efficiency are naturally leveraged, thereby multiplying the effects of the initial investments.

Jobs that result from investments in energy efficiency are robust and likely to remain relevant in the long term. They are not readily outsourced beyond international borders and tend to boost the health of local economies, for example by increasing construction employment associated with building renovations.

Such investments also promote the types of technological advances that can help Europe to maintain its competitive edge in the field of energy efficiency, which is currently under threat from other world regions. And because the technology itself can be exported, these advances can have a positive effect on the European balance of trade, which, in turn, helps European business.

Finally, investments in energy efficiency are unique in that they have the potential to help mitigate the economic vulnerabilities that necessarily accompany a dependence on foreign energy sources. Currently, Europe spends over € 500 billion per year on imported energy, and without a concerted effort to reduce its overall use, that number is likely to rise in the years ahead—leaving European economies ever more susceptible to socio-political events and their effects on world energy markets. In this way, energy efficiency investments contribute to the stabilization of European economies and the business environments that live inside them, which in turn stabilises the corresponding jobs markets and helps to sustain and protect existing employment.

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<sup>1</sup> Institute for European Environmental Policy (IEEP), Review of costs and benefits of energy savings, 2013

<sup>2</sup> <http://www.energybillrevolution.org/media/big-boost-in-energy-efficiency-investment-to-save-uk-households-4-95-billion-a-year/>

<sup>3</sup> Impacts on public budgets of KfW promotional programmes in the field of “energy-efficient building and rehabilitation”, Juelich Research Centre, October 2010 [www.kfw.de/kfw/en/KfW\\_Group/Research/PDF-Files/STE\\_Research\\_Report.pdf](http://www.kfw.de/kfw/en/KfW_Group/Research/PDF-Files/STE_Research_Report.pdf)

## Proposals to Maximise the Impact of Energy Efficiency Investments

Given the importance of energy efficiency to the ultimate success of the Jobs, Growth and Investment Package, EU-ASE is pleased to recommend 7 ACTIONS for incorporating energy efficiency in the Package. Two of those actions pertain to direct use of the Package funds; the other four comprise legislative, policy, and/or regulatory actions intended to maximise the impact of the others.

### Recommendations for Direct Use of Package Funds

#### *1. Provide Financial Assistance to Incentivise Energy Efficiency Investments*

Although energy efficiency investments reap economic benefits that far outweigh their costs, the initial monetary outlays required are sometimes high, creating barriers to use for small and medium-sized enterprises (SMEs) and consumers. The Package could help lower such barriers by providing direct financial assistance to support energy efficiency investments by lowering the cost of capital.

Such assistance could take many forms, the mechanisms of which are already in place, including making money available to private banks and project developers for low-interest loans through the European Investment Bank (EIB) DEEP Green Facility and/or directly guaranteeing such loans to SMEs and consumers.

#### *2. Provide Technical and Expert Assistance to Member States*

Currently, cost effective investments such as refurbishment of outdated municipal district heating systems are not happening simply because Member States (particularly in the periphery) lack the technical and financial capacity to develop bankable projects. By using Package funds to provide the needed technical and expert assistance, the Commission would be leveraging the funds to directly promote the job-creation and growth benefits that result from energy efficiency investments. Again this could be achieved through the EIB's DEEP Green Facility but also through boosting the availability of funds through the JESSICA and ELENA Facilities run by EIB, KfW and others.

The outputs<sup>4</sup> of a €2 billion KfW loan and subsidy programmes between 2006 and 2009 include:

- The energy-saving refurbishment of 1 million existing homes and the addition of around 400,000 new highly efficient homes
- Direct employment of around 894,000 jobs in the building and building supply related industries. The jobs included lasted for at least one year and many become long-term jobs
- Around €27 billion in loans and grants
- More than €54 billion total investment

The €2 billion public investment generated investment loans of €9 billion plus the personal investment households make therefore €1 of budget subsidy resulted in €5 of loans; and €1 subsidy triggered a total investment of €9 - €10 (Hertrampf, 2010).

The underlying principles behind the KfW experience is to leverage private funds. This is a mechanism to be replicated at European level.

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<sup>4</sup> "The KfW experience in the reduction of energy use in and CO2 emissions from buildings: operations, impacts and lessons for the UK". UCL Energy Institute, University College London and LSE Housing and Communities, London School of Economics (2011)

## Recommendations for Legislative, Policy and/or Regulatory Actions

### *3. Implement State Aid Reforms to Improve the Absorption of EU Funds*

Current State Aid regulations often inhibit energy efficiency investments, because they attribute such investments to profit-making rather than the pursuit of economic viability and cost recovery. In the long term, the regulations need to be thoroughly reviewed and revised, but in the short-term, they can be circumvented for the sake of the Package goals by the granting of temporary exemptions for energy efficiency investments undertaken in the next three years.

Such exemptions will facilitate the absorption of EU funds for energy efficiency investments, thereby generation jobs and growth.

### *4. Modify the Accounting Rules for Energy Efficiency Investments*

The professional accounting standards need to change as, energy efficiency expenditures, such as retrofits, are classified as costs rather than investments in infrastructure; consequently, they are officially considered to add to the debts that ultimately constrain Member State spending. But this accounting definition fails to recognise the constructive nature of such expenditures as positive investments intended to streamline operations and reduce costs.

By redefining energy efficiency expenditures as investments in the accounting rules, the Commission would unshackle public spending on energy efficiency and unleash its potential to aid in the achievement of the Package goals.

### *5. Promote the Use of Energy Efficiency Technologies*

The Commission can take legislative steps to promote the use of energy efficiency technologies at government (public procurement), business, and consumer levels and, in doing so, help to realise the Package goals. Such steps might include reducing VAT on energy efficiency technologies and publicly supporting and encouraging the procurement of energy efficiency products and technologies for government use.

### *6. Improve Market Oversight and Surveillance of Existing Regulations*

Thanks to responsible action by the Commission in recent years, regulations already exist that promote the use of energy efficiency technologies for various ends, including carbon minimization and the reduction of greenhouse gas emissions (GHG). Unfortunately, current deficiencies in enforcement hinder the achievement of the regulation goals.

A renewed and amplified focus on market oversight and surveillance would create jobs in the tech/energy-efficiency sector simply by virtue of an increased demand for energy efficiency products to comply with the existing regulations. And the legal mechanisms and supply chains for satisfying such demands are already in place.

### *7. Review and Revise the EED and EPBD*

The Energy Efficiency Directive (EED) and Energy Performance of Buildings Directive (EPBD) are intended to promote energy efficiency, the latter with a specific focus on the building stock. Unfortunately, both are in need of full and better application.

In addition, as part of the forthcoming reviews of these Directives, the EPBD could be revised to complete a single market for energy efficient buildings, products, and services. And the EED could be revised to push measures weakened in its negotiations such as those to promote public building renovations, energy efficiency obligations and energy audits. According to a recent communication by the European Court of Auditors '*The European Union institutions buildings policy in Brussels has been "unambitious" in terms of energy efficiency. It is important that EU institutions and bodies set ambitious targets for their own buildings, if they want to reduce emissions.*' Clearly this is a good place to start.

## Conclusion

Energy efficiency investment deserves top priority in the implementation of the Jobs, Growth and Investment Package, because it ranks among the most effective means of accomplishing the Package goals. Focusing on energy efficiency investment will create robust jobs in the short term while helping to establish a healthy and sustainable business environment that is conducive to long-term growth.

Package funds could be used directly to provide financial assistance in support of energy efficiency investments and to offer technical and expert assistance to Member States in the practical deployment of energy efficiency technologies. Indirect actions, such as implementing State Aid reforms and changing the Eurostat accounting rules, could help maximize the impact of such direct investment.

Energy efficiency affects a wide range of industry sectors, including construction, IT, consumer goods, transportation, and energy production and distribution to name just a few. By giving it top priority in the Package, the Commission could adopt a true leadership position and signal its importance to the health of entire European business environment, thereby maximizing its ability to create jobs and foster growth in the years ahead.

### About the European Alliance to Save Energy (EU-ASE)

EU-ASE was established in December 2010 by some of Europe's leading multinational companies. The Alliance creates a platform from which our companies (1E, Crupe, Danfoss, Ingersoll Rand, Kingspan, Knauf Insulation, Opower, Philips, Schneider Electric and Siemens) can join with politicians and thought leaders to ensure the voice of energy efficiency is heard from across the business and political community.

EU-ASE members have operations across the 28 Member States of the European Union, employ over 150.000 people in Europe and have an aggregated annual turnover of €70 billion.

#### Members



#### Honorary Members

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