EUROPEAN ALLIANCE TO SAVE ENERGY

Creating an Energy-Efficient Europe

A CLIMATE-PROOF BUDGET TO LEVERAGE THE NECESSARY INVESTMENTS TO DELIVER THE PARIS AGREEMENT

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The EU Multi Annual Financial Framework (MFF) post 2020 will define the Union's financial means to address societal, economic and environmental challenges for the next 7 years. Therefore, the MFF is a unique opportunity for the EU to demonstrate coherence with its long-term energy and climate objectives and a serious engagement to deliver tangible benefits to European citizens.

Our business community considers the MFF as the framework that can outline the much-needed long term political direction for private investors.

Public EU funds are not sufficient to finance the energy transition. According to a recent report commissioned by the European Commission, the EU budget contribution to mitigation finance covers as little as 5-7% of the total resource required[1]. However, the MFF has an important signaling and leveraging role to play to attract private investments necessary to fill the gap. The investments in clean technologies and in particular in cost-efficient energy efficiency projects will be unlocked only if the EU provides long term certainty to the private sector.

The present paper is the contribution of a cross-sectoral alliance of businesses on the current discussion concerning the overall MFF proposal and the related sectorial funding instruments.

Several of MFF sectoral legislative proposals, such as Cohesion Policy (CP), Connecting Europe Facility (CEF), Horizon Europe and InvestEU, have a significant impact in sectors like energy, buildings and transport – which are major sources of GHG emissions. These funding instruments, if correctly designed, can drive growth and jobs across the EU. They can mobilize private investments in areas with high mitigation potential, such as energy efficiency, and be catalysts in the fight against climate change and the transition to a net zero carbon economy.

[1]Climate Mainstreaming in the EU Budget: preparing for the next MFF. European Commission, Directorate General for Climate Action, https://publications.europa.eu/en/publication-detail/-/publication/1df19257-aef9-11e7-837e-01aa75ed71a1/language-en

EU FUNDS TO ACHIEVE AN EU SUSTAINABLE ECONOMY

In the summer of 2018, heatwaves across Europe have shown the devastating effects of climate change on everyone's daily life. The magnitude and the urgency of the changes required to limit the temperature increase to 1.5°C pose unprecedented challenges which translate in one major European and global goal to reach net-zero emissions by 2050.

The Paris Agreement implies a fundamental, structural transformation of our economies. The transition to a real sustainable economy requires consistent and large financial flows into existing clean technology and solutions, as well as in supporting innovation for the energy transition.

In this respect a climate-proof MFF would not only contribute, but also sustain the market growth, job creation, innovation and competitive leadership of European companies.

STRENGTHENING MFF'S CLIMATE DIMENSION

The MFF post-2020 proposal includes a climate dimension in the overall structure of the budget. Indeed, by increasing resources dedicated to climate action to 25% from the existing 20%, the MFF proposal shows awareness and renewed ambition. However, improvements are needed and feasible: French President Macron in March 2018 already called for an increase of the overall climate earmarking to 40%[2] and specific adjustments to improve the quantity and the quality of EU expenditure in the relevant sectoral legislations can be made in the upcoming negotiations.

In particular, the European Alliance to Save Energy calls for the co-legislators to improve the so called "Climate Mainstreaming" and "Climate Proofing" methodologies in the sectoral proposals. As business and investor communities, we believe that an EU budget with increased funding allocation and better quality and more impactful expenditure will create a long-term and stable framework for investments.

[2]http://www.elysee.fr/declarations/article/transcription-discours-du-president-de-la-republique-a-la-conference-sur-la-finance-durable-bruxelles/

CLIMATE MAINSTREAMING

The climate spending pledge of 25% across the whole EU budget should be enshrined throughout the proposed specific funding instruments and backed by improved climate tracking methodology.

As such we ask for:

- **Increasing the overall EU budget's earmark for climate action.** Accordingly we ask for an increase of resources allocated to climate action in the sectoral funding instruments. In order to ensure certainty for investments such earmarking should be made mandatory.

- **Legally binding integration of climate earmarking into the sectoral funding instruments'** specific planning and programming processes to ensure uptake of climate measures and to provide certainty to investors on longer term investment patterns.

- **Linking of EU funds with the development and the implementation of National Energy and Climate Plans (NECPs)** as required by the Regulation for the Governance of the Energy Union. EU funds linked to and reviewed with NECPs would provide businesses with the necessary strategic inputs to develop businesses and market strategies and influence investment decisions in Europe.

- **Improving climate action tracking through a common and centralized climate tracking** methodology, as recommended by the European Court of Auditors[3] with direct links to the Paris Agreement.

[3]https://www.eca.europa.eu/Lists/ECADocuments/SR16_31/SR_CLIMATE_EN.pdf

CLIMATE PROOFING

The quantitative approach to earmark funds for climate action (i.e. Climate Mainstreaming) must be combined with effective monitoring (i.e. Climate Proofing) to make sure expenditure is impactful and consistent with the urgency to reach net zero emission by 2050 at the latest.

As such we ask for:

- Conditioning investment decisions in any relevant future energy project to **Energy Efficiency First assessments, similar to the provision included in the Governance of the Energy Union Regulation**[4], with the aim to support investments in areas with high energy saving potentials such as the energy renovation of the largely inefficient EU building stock. The correct implementation of the Energy Efficiency First principle would also **avoid the creation of stranded assets and channel investments towards smart and cost-effective energy efficiency technologies and services** that deliver concrete benefits to citizens. A broad range of technologies are already available. They include smart meters, lighting, pumps and valves, sensors, insulation materials, green infrastructure solutions, air-conditioning and ventilation systems, building automation, energy saving software for servers and data hub, motors, transformers and many more. These technologies, designed and manufactured in the EU, impact and improve the quality of our daily lives. We believe sectoral legislations such as Cohesion Funds/ERDF, Horizon Europe, InvestEU should **prioritize investments in energy efficiency and promote the full energy saving technological uptake across Europe before investing in other new energy infrastructure.** Specifically on buildings, a new policy window on energy renovation in the InvestEU proposal could help to tackle the EU renovation challenge.

- **Alignment of EU funds' plans and expenditure to the achievement of the 2030 energy targets**, notably the energy savings required under Art 7 of the Energy Efficiency Directive; the transformation of EU buildings into a highly-efficient and decarbonised building stock under the revised Energy Performance of Buildings Directive and the climate objective of the Paris Agreement in view of moving towards net zero carbon emissions by 2050.

- **Exclusion criteria for public financing of all fossil fuel projects** in order to ensure consistency across the EU budget, avoid stranded assets and prioritize investments in areas with higher economic social and environmental returns.

[4]According to the outcome of trialogue negotiations on the Energy Union Regulation, Member States should use the Energy Efficiency First principle, which means to consider, before taking energy planning, policy and investment decisions, whether cost-efficient, technically, economically and environmentally sound alternative energy efficiency measures could replace in whole or in part the envisaged planning, policy and investment measures, whilst still achieving the objectives of the respective decisions.

INCREASING THE EFFICIENCY AND EFFECTIVENESS OF INVESTMENT AND MOBILIZING PRIVATE CLIMATE FINANCE

Ensuring the right regulatory framework for attracting private finance and leveraging impact of public support for climate-related investments are necessary to reaching climate objectives.

As such, we ask for:

- Clear provisions enabling the schemes with the use of loans with capital rebates, when the demonstrated results of energy efficiency improvement supported by such instruments are higher than the minimum requirements.

- Maintaining an important clarification in the Common Provisions Regulation proposal allowing the combination of financial instruments with ancillary programme support in the form of grants as a single financial instrument operation. This significant improvement has great potential to foster energy renovation of buildings and to develop ESCO markets, in line with the recently revised public sector accounting rules on recording Energy Performance Contracts[5].

- Tracking the leveraging effect of public support as an indicator for energy efficiency to improve the overall effectiveness and efficiency of Cohesion Policy framework.

[5]http://europa.eu/rapid/press-release_IP-17-3268_en.htm
[6]http://euase.net/a-climate-proof-budget-to-drive-the-eu-clean-energy-transition-to-a-low-carbon-economy/

ABOUT THE EUROPEAN ALLIANCE TO SAVE ENERGY

EU-ASE was established in December 2010 by some of Europe's leading multinational companies. The Alliance creates a platform from which our companies (Danfoss, Ingersoll Rand, Kingspan, Knauf Insulation, Signify, Schneider Electric, Saint-Gobain, Siemens and Veolia) 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 340.000 people in Europe and have an aggregated annual turnover of €115 billion.

For more information:
"A climate-proof budget to drive the EU clean energy transition to a low carbon economy[6]", European Alliance to Save Energy, March 2018

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