EUROPEAN ALLIANCE TO SAVE ENERGY

Creating an Energy-Efficient Europe

CHANCE FOR BUILDINGS

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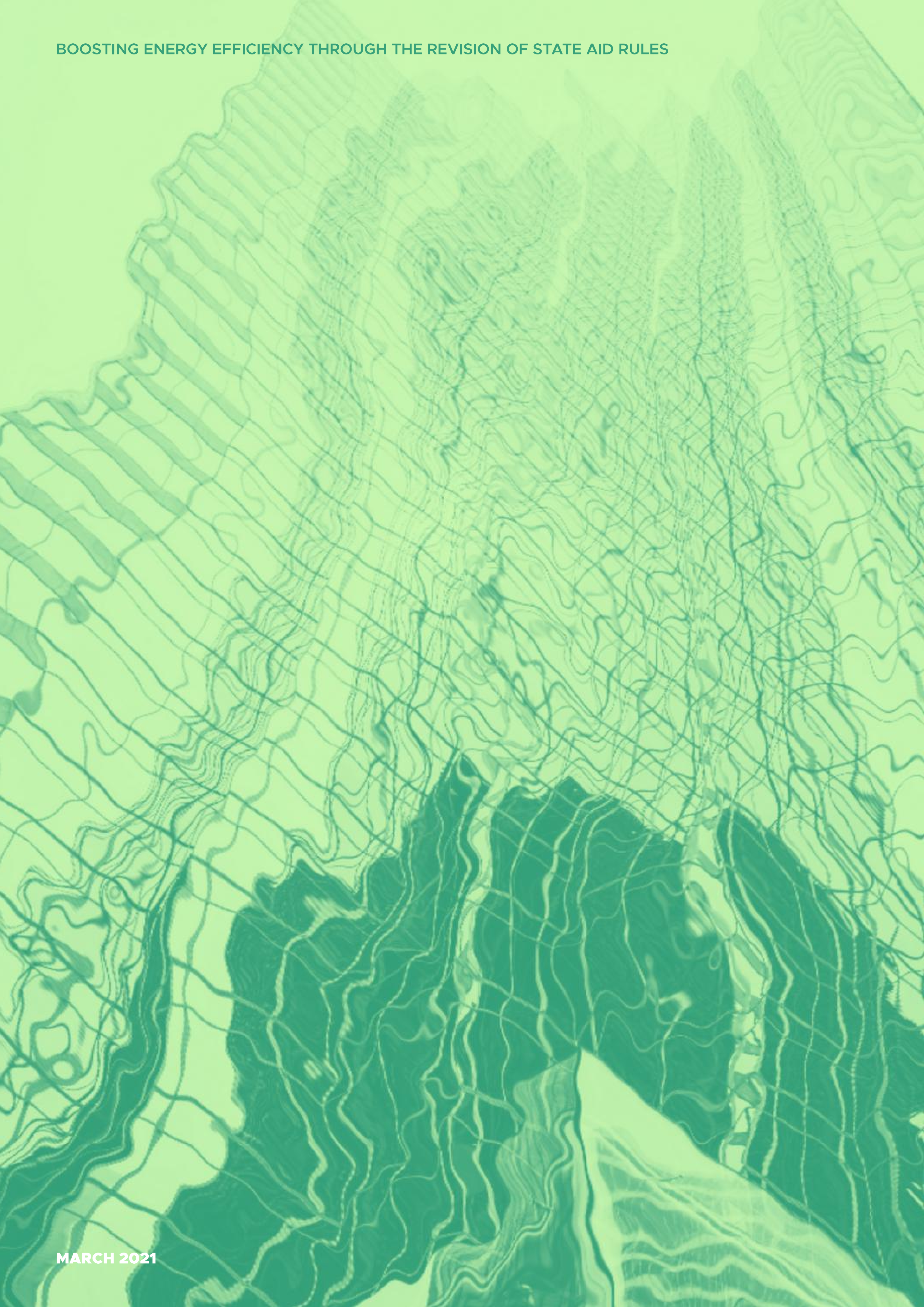
Boosting Energy Efficiency Through the Revision of State Aid Rules

BOOSTING ENERGY EFFICIENCY THROUGH THE REVISION OF STATE AID RULES



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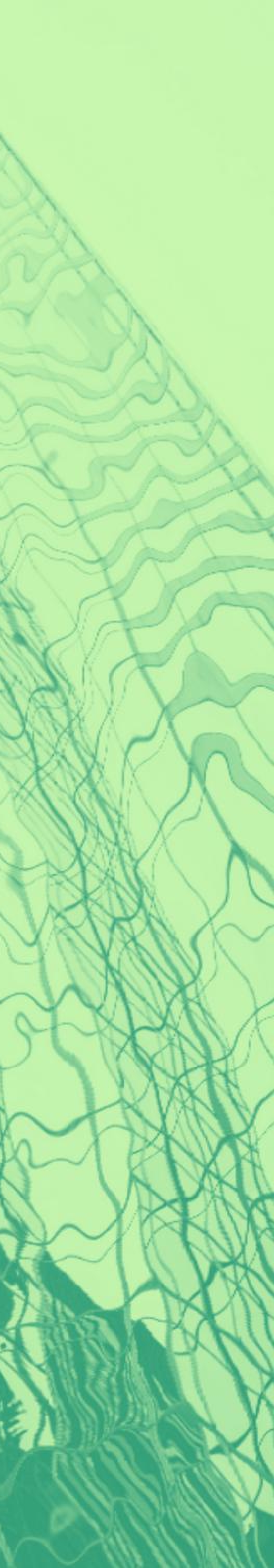

The outbreak of the coronavirus pandemic has suddenly changed the EU economic outlook for the years to come. Unprecedented investments and reforms are needed to ensure short-term sustainable economic recovery and long-term resilience in line with the goals of the European Green Deal.

To ensure that the energy markets are fair, flexible, and secure, the EU State Aid rules must address investment gaps by providing enabling conditions for attracting private investment. This is politically relevant considering the context of the Renovation Wave Strategy, which calls for doubling annual energy renovation rates[1], and considering the investments in energy efficiency improvements required to contribute to the decarbonisation of the industrial sector.

To achieve the objectives of the European Green Deal for 2030 and 2050, it is essential to remove all existing regulatory, administrative, and financial barriers for private and public investors. This means well-designed State Aid schemes that facilitate the investments and reforms that are necessary for a sustainable economic recovery and for achieving EU energy and climate targets.

The European Commission has published guidelines[2] to facilitate the uptake of renovation programmes across the EU in the framework of the Recovery and Resilience Facility (RRF) and has announced to revise the Energy and Environmental Aid Guidelines (EEAG) and the General Block Exemption Regulation (GBER) to provide an enabling framework for public authorities to support high-quality renovation while making the most efficient use of limited public funds.

Pending the revision, the Commission announced in the Sustainable Europe Investment Plan and European Green Deal Investment Plan[3] that the current State Aid rules will be applied with flexibility to support an increase in the rate and depth of energy efficiency improvements, stressing that aid to energy efficiency investments would be simplified and enhanced. More specifically, the Renovation Wave strategy includes the commitment that as part of the ongoing revision of the GBER and EEAG the Commission will set up simpler, clearer, and easier to apply State Aid rules for building renovation programmes, in particular in the residential and social sectors.

We support more flexibility in the short-term. However, we believe the European Commission should also seize this moment to i) decisively create a level playing field for energy efficiency investments; ii) address the overall complexity by simplifying requirements on eligible costs; iii) and provide clear guidance on the current EU State Aid rules for energy efficiency.

We have summarised our three main recommendations for the Commission services.

1. Around 275 Bn of additional investment in building renovation is required every year
2. Guiding template: Energy efficiency in buildings, European Commission, 2021
3. Sustainable Europe Investment Plan and European Green Deal Investment Plan, European Commission, 2020

1. Level playing field for investment aid for energy efficiency measures (EEAG Annex 1 and Art 38 GBER) in line with the "Energy Efficiency First" principle

Recommendation: Maximum aid intensity should be levelled with aid for renewable energies (i.e. 65% for small enterprises, 55% for medium-sized enterprises, and 45% for large enterprises) and up to 100% if the aid is allocated according to a bidding process.

Justification: The EU State Aid framework for energy and environment needs to support the EU Green Deal objectives and the operationalisation of the Energy Efficiency First principle (EE1st). The European Union cannot achieve its decarbonisation goals for 2030 and 2050 if it will not significantly reduce its energy demand, as such the state aid framework should help to accelerate the uptake of energy efficiency measures by putting them on an equal footing with renewables energies regarding the aid intensity[4]. The EE1st principle is a key pillar of the Energy Union. The European Climate Law, in the version adopted by the European Parliament on 8 October 2020, places the EE1st principle as a mandatory criterion to be taken into account by the Commission when revising the trajectory to achieve climate neutrality by 2050. The Energy System Integration Strategy[5] released in July 2020 also underlines the need to apply the Energy Efficiency First principle consistently across the whole energy system.

2. Simplification on investment aid for energy efficiency (Art 38 GBER and Art 107 TFEU)

Recommendation: The Commission should simplify requirements on eligible costs.

Justification: Delimitations to assess eligible costs (only "additional costs" are eligible instead of the total costs of projects) can dramatically limit the remaining total state funding for energy efficiency measures. It is methodologically complicated to separate parts of an investment that do not improve energy performance per se but are a necessary part of such investments. Especially for building renovations, the default assumption for all building types should therefore be that the baseline is a "no renovation" scenario. For highly efficient new buildings, the total project cost should be eligible. As long as programmes are limited by the GBER to supporting only a fraction of the additional costs, split incentives cannot successfully be addressed by State Aid, and Paris-compatible construction and renovation will not happen at the necessary rate, especially in the rental and tertiary sectors.

3. Clear guidance on current State Aid rules

Recommendation: The Commission should provide guidance on how to interpret State Aid rules so they are not an obstacle to the design of energy efficiency schemes.

Justification: Some national investment support schemes (such as the German BEG buildings programme) are open to all kinds of building owners, types, Energy Service Companies (ESCOs) and provide a comparable level of support to all applicants. Therefore such schemes are considered “not selective” and thus are excluded from a State Aid point of view. We would recommend more official guidance, with examples, as was provided in the guiding template for energy efficiency in buildings linked to the Recovery and Resilience Facility (RRF). Such guidance should apply to all relevant funding programmes, not just under the RRF, and be expanded to address other Green Deal fields of activity, such as industrial energy efficiency investments. Raising awareness about how to design programmes excluded from State Aid simplifies the implementation of projects in complex ownership and contracting models involving professional landlords, commercial real estate owners, and ESCOs.

4. Guidelines on State Aid for Environmental Protection and Energy (EEAG), Annex 1, p. 1.; Currently, there is a discrepancy between the aid intensity for renewable energies (65% for small enterprises, 55% for medium-sized enterprises, and 45% for large enterprises) and the aid for energy efficiency (50% for small enterprises, 40% for medium-sized enterprises and 30% for large enterprises)
5. Powering a climate-neutral economy: An EU Strategy for Energy System Integration, 2020

10 YEARS 2011-2021

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About us

The **European Alliance to Save Energy (EU-ASE)** aims to advance the energy efficiency agenda in the European Union. It allows world's leading multinational companies to join environmental campaigners and a cross-party group of Members of the European Parliament.

Chance for Buildings aspires to reap the crucial societal benefits of energy efficient and quality buildings. Currently, it covers all political, legislative, economic and technical perspectives of energy efficient construction.

The **German Business Initiative for Energy Efficiency (DENEFF)** unites frontrunner companies in the field of energy efficiency to collectively represent their political interests for an effective and ambitious energy efficiency regulation in Germany.